



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>



**PRESENTED BY
THE PUBLISHER**

HE
7781
.A51



**PRESENTED BY
THE PUBLISHER**

HE
7781
.A51

COMMISSION LEAFLETS

(NOS 84-89 INCLUSIVE)

CONTAINING

SELECTED COMMISSION DECISIONS

DECEMBER, 1918—MAY, 1919

COMPILED BY THE
AMERICAN TELEPHONE AND TELEGRAPH COMPANY
LEGAL DEPARTMENT
NEW YORK, N. Y.

AUGUST 1, 1919

STELMAS

COPYRIGHT, 1919

BY AMERICAN TELEPHONE AND TELEGRAPH COMPANY

344,05

A 5

T27C

DEC 28 1918

American Telephone and Telegraph Company
Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 84

**Recent Commission Orders, Rulings and Decisions
from the following States:**

Alabama	Michigan
California	Minnesota
Florida	Missouri
Idaho	Nebraska
Illinois	Ohio
Indiana	Oklahoma
Kansas	Oregon
Massachusetts	Pennsylvania
and	
Wisconsin	

DECEMBER 1, 1918

TABLE OF CONTENTS.

	PAGE
TABLE OF CONTENTS (arranged alphabetically).....	v
TABLE OF COMMISSION CASES CITED.....	xxxvii
COMMISSION LEAFLETS.....	i-1792
SUBJECT INDEX.....	i793

382417

TABLE OF CONTENTS.

TABLE OF CONTENTS:

(Arranged Alphabetically by Commissions)

Commission Leaflets 84-89, Inclusive.

December, 1918 — May, 1919.

ALABAMA:

	PAGE
Birmingham, City of, v. Southern Bell Tel. & Tel. Co., <i>In re</i> Rates. Docket No. 967. Order October 22, 1918.....	1
Petition for Writ of Certiorari Filed.....	872
Southern Bell Telephone & Telegraph Co., <i>In re</i> Approval of Installation and Moving Charges Prescribed by the Post- master General. September 16, 1918.....	871

ARIZONA:

Mountain States Telephone & Telegraph Co.:	
<i>In re</i> Establishment of Exchange and Certificate of Exigency at Clarkdale. Docket Nos. 573 and 574. February 4, 1919.....	1559
<i>In re</i> Rate Increase at Jerome. Docket No. 575. February 4, 1919	1561
Order of Suspension of Telephone Rates, Tolls, Rentals, Charges, Classifications, Rules and Regulations, Instituted or Sought to be Instituted Contrary to Law. General Order No. 57. January 20, 1919.....	1219

CALIFORNIA:

Colorado River Telephone Co. v. California Southern R. R. Co., and Western Union Tel. Co. Decision No. 5649. August 3, 1918	40
Culver v. Southwestern Home Tel. Co., <i>In re</i> Discontinuance of Service. Decision No. 5757. November 14, 1918.....	315
<i>In re</i> Rules Governing Construction of Power and Commu- nication Lines. General Order No. 52. July 3, 1918.....	25
Pacific Telephone & Telegraph Co.:	
<i>In re</i> Certificate of Exigency. Decision No. 5638. Sup- plemental Order. July 29, 1918.....	873
<i>In re</i> Toll Rates Prescribed by Postmaster General. Case No. 1290. Order to Show Cause. January 21, 1919....	874

CALIFORNIA — Continued:	PAGE
Pacific Telephone & Telegraph Co., <i>et al.</i> <i>In re</i> Installation and Moving Charges. Decision No. 5927, November 19, 1918. . . .	525
Pacific Telephone & Telegraph Co., and Oxnard Home Tel. Co. <i>In re</i> Sale of Property. Decision No. 3639. July 29, 1918. . .	313
Pacific Telephone & Telegraph Co., and Redondo Home Tel. Co., <i>In re</i> Sale of Property. Decision No. 5613. July 26, 1918. . .	311
San Diego Home Telephone Co. <i>et al.</i> and Pacific Tel. & Tel. Co., <i>In re</i> Sale of Property. Appl. No. 3702. July 29, 1918. . .	873
San Fernando Valley Home Telephone Co. and Pacific Tel. & Tel. Co., <i>In re</i> Sale of Property. Decision No. 6079. First Supplemental Order. January 23, 1919.	876
Union Home Telephone & Telegraph Co. and Pacific Tel. & Tel. Co., <i>In re</i> Sale of Property. Decision No. 6078. Second Supplemental Order. January 23, 1919.	876
CANADA:	
Bell Telephone Co. of Canada:	
<i>In re</i> Construction of Lines in City of London. File No. 28948:	
Judgment. November 13, 1918.	508
Order. November 20, 1918.	858
<i>In re</i> Dismissal of Employee from Service.	
File No. 29113. February 8, 1919.	1782
<i>In re</i> Rate Increase. Order No. 27912.	
December 6, 1918.	859
FLORIDA:	
Hastings Telephone Co., <i>In re</i> Repairs and Improvements.	
Order No. 61. September 5, 1918.	42
<i>In re</i> Rates, Rules and Regulations Prescribed by Postmaster General. January 15, 1919.	878
Temporary Injunction Restraining the Putting into Effect of Rates Granted by Circuit Court. January 23, 1919. . .	878
Injunction Denied by U. S. District Court. February 5, 1919	878
Southern Bell Telephone & Telegraph Co., <i>In re</i> Installation and Moving Charges Prescribed by Postmaster General. September 12, 1918.	877
GEORGIA:	
Atlanta Telephone & Telegraph Co., <i>In re</i> Order No. 1931. File No. 14195. September 17, 1918.	880
Bowman Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 19, 1918.	880
Consolidated Telephone & Telegraph Co., <i>In re</i> Order No. 1931. File No. 14195. September 17, 1918.	880

GEORGIA — Continued:

	PAGE
Crawfordville Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 14, 1918.....	879
Danville Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 17, 1918.....	880
Donaldsonville Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 23, 1918.....	880
Dougless Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 16, 1918.....	879
Farmers Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. October 17, 1918.....	880
Ga'nesboro Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 13, 1918.....	879
Glenwood Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 16, 1918.....	879
Hahira Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 16, 1918.....	879
Houston Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 17, 1918.....	880
<i>In re</i> Telephone Rates in Georgia. File No. 14338. January 30, 1919	881
Jasper Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 18, 1918.....	880
Monroe Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. October 9, 1918.....	880
Pembroke Water, Light & Telephone Works, <i>In re</i> Order No. 1931. File No. 14195. October 8, 1918.....	880
Roberta Telephone System. Order No. 1931. File No. 14195. September 16, 1918.....	879
Screven Telephone Co., <i>In re</i> Order No. 1931. File No. 14195. September 17, 1918.....	880
Southern Bell Telephone & Telegraph Co., <i>In re</i> Installation and Moving Charges Prescribed by Postmaster General. File No. 14195. September 12, 1918.....	879
Southern Bell Telephone & Telegraph Co. and Atlanta Tel. & Tel. Co., <i>In re</i> Sale of Property. File No. 14324. January 16, 1919	880
Union Telephone & Electric Co., <i>In re</i> Order No. 1931. File No. 14195. September 16, 1918.....	879

IDAHO:

Elmore Copper Co. v. Mountain States Tel. & Tel. Co., U. S. Government and A. S. Burleson. <i>In re</i> Bridging in of Private Line on Toll Line. Order No. 557. February 28, 1919.....	1565
Indian Valley Telephone Co., <i>In re</i> Rate Increase. Order No. 549. January 20, 1919.....	1221

IDAHO — Continued:		PAGE
Kincaid, J. A., <i>In re</i> Rate Increase. Order No. 529. October 3, 1918		45
Potlatch Telephone Co., <i>In re</i> Rate Increase. Order No. 547. January 11, 1919.....		883
Troy Telephone Co., <i>In re</i> Rate Increase. Order No. 548. January 17, 1919.....		883
ILLINOIS:		
Abingdon Home Telephone Co., <i>In re</i> Rate Increase. Case No. 8667. March 3, 1919.....		1568
Altona Farmers Telephone Co., <i>In re</i> Rate Increase. Case No. 8699. March 5, 1919.....		1593
American Telephone & Telegraph Co., <i>In re</i> Toll Rates and Classifications Prescribed by Postmaster General. Case No. 8839. January 15, 1919.....		905
Company Enjoined from Disobeying Suspension Order. January 20, 1919.....		906
First Supplemental Order. January 23, 1919.....		906
Arrowsmith Telephone Co., by H. A. Ball, <i>In re</i> Rate Increase. Case No. 8123. October 1, 1918.....		71
Assumption Mutual Telephone Co. v. Christian County Tel. Co. and Central Union Tel. Co., <i>In re</i> Failure to Interchange Messages. Case No. 8627. February 18, 1919.....		1250
Automatic Home Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property, Issue of Bonds and Rate Increase. Case Nos. 8675, 8676 and 8677. March 3, 1919...		1568
Blue Mound Telephone Co., <i>In re</i> Rate Increase. Case No. 8167. October 28, 1918.....		327
Byron Telephone Co., <i>In re</i> Rate Increase. Case No. 8553. November 18, 1918.....		366
Cahokia Telephone Co. and Harrisonville Tel. Co., <i>In re</i> Sale of Property. Case No. 7314:		
Order. September 19, 1918.....		47
Supplemental Order. November 18, 1918.....		355
Canton Home Telephone Co., <i>In re</i> Rate Increase. Case No. 8872. January 23, 1919.....		931
Central Illinois Independent Telephone Co. and Farmers Mutual Tel. Co., <i>In re</i> Approval of Intercorporate Contract. Case No. 8243. October 28, 1918.....		342
Central Illinois Independent Telephone Co. and Wenona Tel. Co., <i>In re</i> Sale of Property and Stock Issue. Case No. 8244. October 28, 1918.....		349
Central Illinois Telephone & Telegraph Co., <i>In re</i> Increase in Toll Rates. Case No. 8856. January 22, 1919.....		931

TABLE OF CONTENTS.

xi

ILLINOIS — Continued:

	PAGE
Central Union Telephone Co., Receivers of:	
<i>In re</i> Increase in Toll Rates. Case No. 8864. Suspension Order. January 23, 1919.....	930
<i>In re</i> Rate Increase at Gilman. Case No. 8487. February 4, 1919	930
<i>In re</i> Rate Increase at Harristown. Case No. 8481. February 4, 1919.....	930
<i>In re</i> Rate Increase at Herscher. Case No. 8478. February 4, 1919	930
<i>In re</i> Rate Increase at Lewiston. Case No. 8484. November 18, 1918	538
<i>In re</i> Rate Increase at Momence. Case No. 8491. February 4, 1919	930
<i>In re</i> Rate Increase at Onarga. Case No. 8488. February 4, 1919	930
<i>In re</i> Rate Increase at Oquawka. Case No. 8480. February 4, 1919.....	930
<i>In re</i> Rate Increase at Seneca. Case No. 8483. February 4, 1919	930
<i>In re</i> Rate Increase at Vandalia. Case No. 8482. January 23, 1919	919
Chicago, Milwaukee & St. Paul Railway Co., <i>In re</i> Approval of Lease to De Kalb County Tel. Co. Case No. I—3016. October 28, 1918.....	317
Chicago Telephone Co., <i>In re</i> Toll Rates and Classifications Authorized by Postmaster General. Case No. 8838. January 15, 1919.....	904
Company Enjoined from Disobeying Suspension Order. January 20, 1919.....	904
Christian County Telephone Co., <i>In re</i> Toll Rates and Classifications Prescribed by Postmaster General. Case No. 8870. Suspension Order. February 4, 1919.....	907
Citizens Mutual Telephone Co., <i>In re</i> Rate Increase. Case No. 8236. March 19, 1919.....	1604
Eastern Illinois Independent Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. Case No. 7926. July 31, 1918.....	533
Supplemental Order. December 16, 1918.....	561
Egyptian Mutual Telephone Co. and Simpson Mutual Tel. Co., <i>In re</i> Intercompany Agreement. Case No. 8556. December 16, 1918	580
Farina Mutual Telephone Co., <i>In re</i> Stock Issue, Sale of Property and Certificate of Exigency. Case No. 8056. January 8, 1919	899

ILLINOIS—Continued:

	PAGE
Farmers Fountain Telephone Co., <i>In re</i> Rate Increase at Columbia. Case No. 7833. December 3, 1918.....	547
Farmers Mutual Telephone Co. and Kansas Mutual Tel. Co., <i>In re</i> Stock Issue, Sale of Property and Certificate of Exigency. Case Nos. 7901 and 7902. September 19, 1918.....	53
Farmers Telephone Co. of Hopedale., <i>In re</i> Rate Increase. Case No. 8297. October 1, 1918.....	79
Farmers Union Telephone Co. and DeKalb County Tel. Co., <i>In re</i> Sale of Property. Case No. 8274. December 16, 1918.	566
Findlay Mutual Telephone Co., <i>In re</i> Rate Increase. Case No. 8727. March 19, 1919.....	1604
Flag Center Telephone Co., <i>In re</i> Rate Increase. Case No. 8306. January 23, 1919.....	916
Galva Telephone Co., <i>In re</i> Rate Increase. Case No. 8633. March 18, 1919.....	1598
Harris v. Hamilton and Saline County Tel. Co. Case No. 7922. October 1, 1918.....	69
Harrisonville Telephone Co., <i>In re</i> Stock Issue and Certificate of Exigency. Case No. 7314:	
Order. September 19, 1918.....	47
Supplemental Order. November 18, 1918.....	355
Home Telephone Co. of Cairo., <i>In re</i> Note Issu. Case No. 8390. November 18, 1918.....	356
Homer Electric Light & Power Co., <i>In re</i> Certificate of Exigency. Case No. 8518. October 22, 1918.....	92
Ideal Telephone Exchange, <i>In re</i> Rate Increase. Case No. 8341. October 14, 1918.....	88
Illinois Independent Telephone Ass'n. <i>et al.</i> :	
<i>In re</i> Rate Increase. Case No. 8694:	
Order. January 22, 1919.....	913
First Supplemental Order. March 17, 1919.....	1597
<i>In re</i> Rate Increase. Case No. 8693. February 17, 1919..	1240
<i>In re</i> Publishing Notice of Application to Change Rates and Posting Copies of Proposed Schedules. General Order No. 48. July 1, 1918.....	891
Independent Telegraph & Telephone Co., <i>In re</i> Bond Issue. Case No. 8904. March 18, 1919.....	1605
Jerseyville Telephone Co., <i>In re</i> Rate Increase. Case No. 8612. January 22, 1919.....	907
Keithsburg Telephone Exchange Co., <i>In re</i> Rate Increase. Case No. 8613. March 18, 1919.....	1604
Kewanee Home Telephone Co., <i>In re</i> Rate Increase. Case No. 8761. February 17, 1919.....	1242

ILLINOIS — Continued:

	PAGE
Kinloch-Bloomington Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. Case No. 8788. February 4, 1919.....	1235
Kinloch Long Distance Telephone Co. of Missouri, <i>In re</i> Toll Rates and Classifications Prescribed by Postmaster General. Case No. 8843. Suspension Order. January 15, 1919.....	905
Lanark Mutual Telephone Co., <i>In re</i> Stock Issue. Case No. 8172. October 29, 1918.....	353
Lebanon Telephone Exchange, by Charles T. Smiley, <i>In re</i> Rate Increase at Lebanon. Case No. 8430. December 16, 1918....	570
Lexington Home Telephone Co., <i>In re</i> Rate Increase. Case No. 8447. February 17, 1919.....	1235
Lomax Telephone Co., <i>In re</i> Rate Increase. Case No. 7918. October 1, 1918.....	65
Macon Telephone Co., <i>In re</i> Note Issue. Case No. 8881. February 19, 1919.....	1258
Macoupin County Telephone Co., <i>In re</i> Bond Issue. Case No. 7710. Supplemental Order. September 19, 1918.....	52
Manhattan Telephone Co., <i>In re</i> Rate Increase. Case No. 8323. January 6, 1919.....	893
Mann Telephone Co., <i>In re</i> Certificate of Exigency and Stock Issue. Case Nos. 8445 and 8446. November 18, 1918.....	359
Martinsville Telephone Co., <i>In re</i> Rate Increase. Case No. 8577. March 17, 1919.....	1604
Medora Telephone Co., <i>In re</i> Rate Increase. Case No. 7916. October 1, 1918.....	61
Milledgeville Mutual Telephone Co., <i>In re</i> Rate Increase. Case No. 7728. February 18, 1919.....	1246
Mount Auburn Telephone Co., <i>In re</i> Rate Increase at Mount Auburn. Case No. 8495. December 16, 1918.....	574
Mutual Telephone System, <i>In re</i> Rate Increase at Mulberry Grove. Case No. 8128. October 1, 1918.....	76
National Telephone & Electric Co.:	
<i>In re</i> Rate Increase at Clinton. Case No. 8242. December 4, 1918	555
<i>In re</i> Stock Issue. Case No. 8229. October 28, 1918.....	333
New Holland Telephone Co., <i>In re</i> Rate Increase. Case No. 8857. January 22, 1919.....	931
Niantic Telephone Co., <i>In re</i> Note Issue. Case No. 8879. February 19, 1919.....	1262
Peoples Telephone Co. of Chillicothe, <i>In re</i> Bond Issue. Case No. 8878. February 19, 1919.....	1255
Public Utilities Commission v. Douglas Tel. Co. Case No. 8135. February 4, 1919.....	1225

ILLINOIS— Continued:

	PAGE
Public Utilities Commission <i>ex rel.</i> Chicago Tel. Co. <i>v.</i> Postal Telegraph Cable Co., <i>In re</i> Operation of Telephone Business by Telegraph Company. October 3, 1918.....	47
Smiley Bros. Telephone Exchange, <i>In re</i> Rate Increase at O'Fallon. Case No. 8429. December 3, 1918.....	550
Southern Bell Telephone & Telegraph Co. and Cumberland Tel. & Tel. Co., <i>In re</i> Toll Rates. Case No. 8842. March 3, 1919.	1592
Southwestern Bell Telephone Co. <i>et al.</i> , <i>In re</i> Rate Increase. Case No. 8858. Suspension Order. January 22, 1919.....	931
Sparland Telephone Co., <i>In re</i> Note Issue. Case No. 8983. February 19, 1919.....	1262
Stark County Telephone Co., <i>In re</i> Stock Issue. Case No. 7875. October 28, 1918.....	317
State Public Utilities Commission <i>ex rel.</i> Chicago Tel. Co. <i>v.</i> Postal Telegraph Cable Co., <i>In re</i> Certificate of Exigency. December 4, 1918.....	555
Stein <i>v.</i> City of Chicago and Chicago Tel. Co., <i>In re</i> Extension of Time. Case No. 5285. First Supplemental Order. October 14, 1918.....	86
Streator Telephone Co., <i>In re</i> Increase in Toll Rates. Case No. 8863. Suspension Order. January 23, 1919.....	931
Sullivan Home Telephone Co., <i>In re</i> Note Issue. Case No. 8882. February 18, 1919.....	1262
Tri-County Telephone Co., <i>In re</i> Rate Increase. Case No. 8552. February 4, 1919.....	1227
Vermilion County Telephone Co., <i>In re</i> Rate Increase. Case No. 8659. Suspension Order. January 22, 1919.....	931
Viriden Home Telephone Co., <i>In re</i> Rate Increase. Case No. 8129. October 28, 1918.....	319
Wabash Valley Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. Case No. 8787. February 4, 1919	1231
Western Illinois Telephone Co., Reorganization Committee of, and Mann Tel. Co., <i>In re</i> Sale of Property. Case Nos. 8445 and 8446. November 18, 1918.....	359
Williamsville Telephone Co., <i>In re</i> Rate Increase. Case No. 8232. September 30, 1918.....	57

INDIANA:

Central Indiana Telephone Co.:

<i>In re</i> Discontinuance of Free Service to Connecting Companies. Case No. 3698. December 4, 1918.....	404
<i>In re</i> Rate Increase. Case No. 5553. December 4, 1918...	404

INDIANA — Continued:

PAGE

Citizens Independent Telephone Co. of Terre Haute and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. No. 4334. February 24, 1919.....	1615
Citizens Telephone Co. of Columbus, <i>In re</i> Rate Increase. No. 4050. November 22, 1918.....	389
Citizens Telephone Co. of Kokomo, <i>In re</i> Note Issue. No. 3770: Modified Order. July 3, 1918.....	1268
Modified Order. September 27, 1918.....	1271
College Corner Telephone Co., <i>In re</i> Rate Increase. No. 4133. October 25, 1918.....	124
Crown Point Telephone Co., <i>In re</i> Rate Increase. No. 4180. December 28, 1918.....	932
Eastern Indiana Telephone Co. <i>et al.</i> , <i>In re</i> Sale of Property and Stock Issue. No. 3999. October 4, 1918.....	112
Farmers' & Merchants' Cooperative Telephone Co.: <i>In re</i> Rate Increase. No. 4287. December 31, 1918.....	607
<i>In re</i> Stock Issue. No. 4288. December 31, 1918.....	607
Farmers' & Merchants' Cooperative Telephone Co. and Free- land Park Tel. Co., <i>In re</i> Sale of Property. No. 4274. December 31, 1918.....	607
Farmers Mutual Telephone Co. of Columbia City, <i>In re</i> Stock Issue. No. 4059. September 27, 1918.....	110
Farmers Mutual Telephone Co. <i>v.</i> Public Service Commission of Indiana. November 23, 1918.....	403
Flat Rock Telephone Co., <i>In re</i> Rate Increase. No. 3858. December 4, 1918.....	404
Flora Telephone Co., <i>In re</i> Rate Increase. No. 4219. January 21, 1919	1281
Freelandville Cooperative Telephone Co., <i>In re</i> Rate Increase. No. 4333. March 5, 1919.....	1621
Greencastle Local Phoenix Telephone Co., <i>In re</i> Cancellation of Increased Rates. No. 3274. February 21, 1919.....	1280
Home Telephone Co. of Wabash, <i>In re</i> Rate Increase. No. 3872: Order. January 11, 1919.....	943
Modified Order. February 15, 1919.....	1614
Hope Independent Telephone Co., <i>In re</i> Rate Increase at Hope. No. 4951. December 4, 1918.....	591
<i>In re</i> Installation and Moving Charges Prescribed by Post- master General. No. 4421. March 3, 1919.....	1295
<i>In re</i> Investigation Regarding Reversal of Telephone Messages and Commissions on Reversed Messages. No. 3701. May 22, 1918	101

INDIANA — Continued:

	PAGE
<i>In re</i> Order No. 1931 of the Postmaster General Prescribing Installation and Moving Charges. No. 4233. October 25, 1918	378
Indiana Hotel Co. v. Receivers, Central Union Tel. Co., <i>In re</i> Rehearing of Order Requiring Physical Connection. No. 1881. October 29, 1918.....	380
Kinney <i>et al.</i> v. Farmers Metropolitan Tel. Co. of Palmyra, <i>In re</i> Rates. No. 4177. January 4, 1919.....	1273
Lafayette Telephone Co. and Receivers, Central Union Tel. Co.: <i>In re</i> Sale of Local Exchange Property. No. 3874. June 21, 1918	1608
<i>In re</i> Sale of Toll Lines. No. 4345. January 22, 1919....	1291
Lochiel Telephone Co. and Alonzo W. Timmons, <i>In re</i> Sale of Exchange and Stock Issue. No. 4282. December 31, 1918...	618
Noble County Telephone Co., <i>In re</i> Rate Increase. No. 3981. November 6, 1918.....	583
Ohio River Telephone Co., <i>In re</i> Rate Increase. No. 3739. July 24, 1918.....	106
Peoples Co-operative Telephone Co., <i>In re</i> Rate Increase. No. 4100. October 4, 1918.....	117
Pike County Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. No. 4318. January 17, 1919....	1276
Prairie Telephone Co., <i>In re</i> Establishment of Reduced Vac- ation Rates. No. 4259. November 7, 1918.....	590
Roann Telephone Co.: <i>In re</i> Rate Increase. No. 3963. October 25, 1918.....	372
<i>In re</i> Stock Issue. No. 4001. December 4, 1918.....	410
Rochester Telephone Co., <i>In re</i> Establishment of Vacation Rates. No. 4291. January 13, 1919.....	954
Rushville Co-operative Telephone Co., <i>In re</i> Certificate of Exi- gency. No. 4026. November 6, 1918.....	588
Southside Telephone Co., <i>In re</i> Rate Increase. No. 4257. January 21, 1919.....	1288
Southside Telephone Co. v. Citizens Mutual Tel. Co., <i>In re</i> Routing of Messages. No. 4258. December 31, 1918.....	604
Sweetser Rural Telephone Co., <i>In re</i> Discrimination in Favor of Stockholders. No. 4206. December 12, 1918.....	599
United Telephone Co. of Bluffton, <i>In re</i> Note Issue. No. 3756: Modified Order. July 3, 1918.....	1263
Modified Order. November 27, 1918.....	1266
Waynetown Telephone Co., <i>In re</i> Rate Increase. No. 3940. October 25, 1918.....	119
White River Valley Telephone Co., <i>In re</i> Rate Increase. No. 4276. December 26, 1918.....	602

TABLE OF CONTENTS.

xvii

KANSAS:

PAGE

Arlington Telephone Co. by W. P. Hays, <i>In re</i> Rate Increase. Docket No. 2717. January 14, 1919.....	956
Arma Central Telephone Co., <i>In re</i> Rate Increase at Arma. Docket No. 2666. December 19, 1918.....	622
Atlanta Telephone Exchange, <i>In re</i> Rate Increase. Docket No. 2592. October 25, 1918.....	415
Burden Telephone Exchange, <i>In re</i> Rate Increase. Docket No. 2593. October 28, 1918.....	413
Kansas City Long Distance Telephone Co., <i>In re</i> Rate Increase. Docket No. 2576. September 24, 1918.....	129
Lane Telephone Co., <i>In re</i> Rate Changes. Docket No. 2201. October 25, 1918.....	415
Longton Telephone Co., by F. R. Cooper, <i>In re</i> Rate Changes. Docket No. 2571. January 9, 1919.....	957
Peoples Home Telephone Co., <i>In re</i> Rate Increase. Docket No. 2639. January 27, 1919.....	957
Pomona Telephone Co., <i>In re</i> Rate Increase. Docket No. 2662. October 25, 1918.....	412
Southwestern Bell Telephone Co., <i>In re</i> Rate Increase. No. 2551. January 31, 1919.....	957
Southwestern Bell Telephone Co. and Farmers Mutual Tel. Co., <i>In re</i> Sale of Property. Docket No. 2758. December 17, 1918	621
Udall Telephone Exchange, <i>In re</i> Rate Increase. Docket No. 2591. October 25, 1918.....	415
Walnut Telephone Co., <i>In re</i> Rate Increase. Docket No. 2322. February 8, 1919.....	1299

KENTUCKY:

Gainsboro Telephone Co. and Tompkinsville Home Tel. Co., <i>In re</i> Consolidation. December 16, 1918.....	623
--	-----

LOUISIANA:

Cumberland Telephone and Telegraph Co., <i>In re</i> Installation and Moving Charges Prescribed by Postmaster General. September 26, 1918.....	960
--	-----

MAINE:

New England Telephone & Telegraph Co., <i>In re</i> Revision of Installation and Moving Charges. U-309.1. December 4, 1918	625
--	-----

MASSACHUSETTS:

<i>In re</i> Hotel Telephone Service and Rates Charged Therefor. P. S. C. No. 1997. September 30, 1918.....	132
New England Telephone & Telegraph Co., <i>In re</i> Revision of Installation and Moving Charges. P. S. C. No. 2276-D. December 3, 1918.....	626

MASSACHUSETTS — Continued:

PAGE

New England Telephone and Telegraph Co. <i>et al.</i> , <i>In re</i> Toll Rates Prescribed by Postmaster General. P. S. C. No. 2350. January 20, 1919.....	962
Cancellation of Rates. January 31, 1919.....	963
Temporary Injunction Denied. February 4, 1919.....	963

MICHIGAN:

Cartwright <i>et al.</i> v. Michigan State Tel. Co. and Valley Home Tel. Co., <i>In re</i> Physical Connection. T-211. January 31, 1919	1301
Clifford Telephone Co., <i>In re</i> Rate Increase. T-209. December 6, 1918	628
Dansville Telephone Exchange, <i>In re</i> Rate Increase. T-208. January 22, 1919.....	975
Union Telephone Co. and Michigan State Tel. Co., <i>In re</i> Consolidation. T-200:	
Order. October 11, 1918.....	149
Amending Order. November 6, 1918.....	416
Valley Home Telephone Co. v. Union Tel. Co. and Michigan State Tel. Co., <i>In re</i> Physical Connection. August 6, 1918..	149

MINNESOTA:

Armstrong Telephone Co., <i>In re</i> Rate Increase. February 17, 1919	1312
City & Farmers Telephone Co., <i>In re</i> Rate Increase. February 7, 1919	1304
Frost, Village of, <i>In re</i> Indeterminate Permit for Operation of Exchange. March 11, 1919.....	1625
Madelia Telephone Co., <i>In re</i> Rate Increase. February 10, 1919	1306
Northwestern Telephone Exchange Co.:	
<i>In re</i> Discount for Prompt Payment. October 23, 1918...	418
<i>In re</i> Rate Increase. December 31, 1918.....	977
Polk County Telephone Co., <i>In re</i> Rate Increase. October 19, 1918	157
Tri-State Telephone & Telegraph Co., <i>In re</i> Rate Increase. December 31, 1918.....	983
Wheaton Telephone Co., <i>In re</i> Rate Increase. February 13, 1919	1305
Woodgate Telephone System, <i>In re</i> Rate Increase. October 21, 1918	159
Worthington Telephone Co., <i>In re</i> Rate Increase. October 16, 1918	155
Zenith Telephone Co., <i>In re</i> Rate Increase. February 14, 1919..	1307

TABLE OF CONTENTS.

xix

MISSOURI:

	PAGE
Albany Telephone Co., <i>In re</i> Rate Increase. Case No. 1511.	
Supplemental Order No. 1. March 21, 1919.....	1631
Appleton City Telephone Exchange, <i>In re</i> Rate Increase. Case No. 1777. December 7, 1918.....	641
Ash Grove Telephone Co., <i>In re</i> Rate Increase. Case No. 1728. December 21, 1918.....	989
Bland Telephone Co., <i>In re</i> Installation of Telephone in Railway Station. Case No. 2011. April 16, 1919.....	1634
Boonville Telephone Co., <i>In re</i> Rate Increase. Case No. 1726. February 11, 1919.....	1315
Buffum Telephone Co.:	
<i>In re</i> Extension of Time. Case No. 1366. Supplemental Order No. 2. February 28, 1919.....	1333
<i>In re</i> Suspension of Rates. Case No. 1592. November 9, 1918	435
<i>In re</i> Suspension of Rates. No. 1926:	
Order. January 21, 1919.....	1009
Supplemental Order No. 1. February 28, 1919.....	1333
Bunceton Independent Telephone Co., <i>In re</i> Rate Increase. Case No. 1509. Supplemental Order No. 1. March 21, 1919.	1631
Butler-Rich Hill Telephone Co., <i>In re</i> Toll Rates. Case No. 1498:	
Supplemental Report. October 29, 1918.....	427
Supplemental Order No. 5. December 5, 1918.....	610
Cameron Telephone Co., <i>In re</i> Stock Issue. Case No. 1783. December 20, 1918.....	655
Cape Girardeau Bell Telephone Co., <i>In re</i> Suspension of Toll Rates. No. 1925. January 20, 1919.....	1000
Cass County Telephone Co., <i>In re</i> Suspension of Toll Rates. Case No. 1930:	
Order. January 22, 1919.....	1009
Supplemental Order No. 1. February 28, 1919.....	1333
Clifton Hill Telephone Co., <i>In re</i> Rate Increase. No. 1446. Supplemental Order No. 1. January 27, 1919.....	1024
Clinton County Telephone Co. and Cameron Tel. Co., <i>In re</i> Sale of Exchange and Rate Increase at Cameron. Case No. 1202. December 20, 1918.....	663
Clover Leaf Telephone Co., <i>In re</i> Rate Increase. Case No. 1508. Supplemental Order No. 1. March 21, 1919.....	1629
Crane Telephone Co., <i>In re</i> Rate Increase. Case No. 1904. February 25, 1919.....	1330
Downing Telephone Co., <i>In re</i> Rate Increase. No. 1445. Supplemental Order No. 1. January 27, 1919.....	1024

MISSOURI — Continued:	PAGE
Farmers' & Merchants' Telephone Co., <i>In re</i> Rate Increase at Odessa. Case No. 1650. December 18, 1918.....	651
Golden City Telephone Co., <i>In re</i> Rate Increase. Case No. 1882. March 21, 1919.....	1631
Home Telephone Co., <i>In re</i> Suspension of Rates at Webb City. Case No. 1458. October 24, 1918.....	194
Home Telephone Co. of Joplin, <i>In re</i> Rejection of Schedules Filed in Accordance with Order No. 2495. No. 1935. January 21, 1919.....	1010
Independent Telephone Companies in Kansas City District, <i>In re</i> Rejection of Schedules Filed in Accordance with Order No. 2495. No. 1934. January 21, 1919.....	1010
Kansas City Home Telephone Co., <i>In re</i> Rejection of Schedules Filed in Accordance with Order No. 2495. No. 1937. January 21, 1919.....	1010
Kansas City Long Distance Telephone Co., <i>In re</i> Rejection of Schedules Filed in Accordance with Order No. 2495. No. 1936. January 21, 1919.....	1010
Kearney Telephone Co., <i>In re</i> Suspension of Rates. Case No. 1500. September 9, 1918.....	420
Kieninger v. Farmers Mutual Tel. Co. of Pocahontas. Case No. 1897. March 20, 1919.....	1627
Kinloch Long Distance Telephone Co. of Missouri, <i>In re</i> Schedule of Toll Rates Prescribed by Postmaster General. Case No. 1942. January 21, 1919.....	1009
Kinloch Telephone Co., <i>In re</i> Rejection of Schedule Filed in Accordance with Order No. 2495. No. 1933. January 21, 1919	1010
King City Telephone Exchange Co., <i>In re</i> Suspension of Rates. Case No. 1603. October 17, 1918.....	187
Missouri Union Telephone Co., <i>In re</i> Rate Increase. Case No. 1697. January 22, 1919.....	1011
Pattonsburg Home Telephone Co., <i>In re</i> Suspension of Toll Rates:	
Case No. 1695. November 26, 1918.....	630
Case No. 1927. January 21, 1919.....	1009
Supplemental Order No. 1. March 3, 1919.....	1333
People's Telephone Co. of Graham, <i>In re</i> Stock Issue. Case No. 1269. Supplemental Order No. 1. January 23, 1919...	1021
Phillips and Farmers Telephone Co., <i>In re</i> Sale of Barnett Tel. Co. Case No. 1959. February 20, 1919.....	1328
Relfe, Flat and Newburg Telephone Co. v. Newburg Tel. Co., <i>In re</i> Restoration of Switching and Toll Service. Case No. 1527. March 1, 1919.....	1336

MISSOURI — Continued:	PAGE
Seymour Telephone Co., <i>In re</i> Rate Increase. Case No. 1447.	
Supplemental Order No. 1. January 27, 1919.....	1022
Southwestern Bell Telephone Co :	
<i>In re</i> Modified Schedule of Toll Rates Fixed by Postmaster General. Case No. 1924. Supplemental Order No. 1. February 26, 1919.....	1332
<i>In re</i> Rate Increase at Kirksville. Case No. 1453. January 14, 1919.....	999
<i>In re</i> Rate Increase at Kirkwood. Case No. 1512. Supplemental Order No. 1. March 21, 1919.....	1631
<i>In re</i> Suspension of Rates. Case No. 1651:	
Order. October 1, 1918.....	177
Supplemental Report. November 26, 1918.....	442
<i>In re</i> Toll Rates Fixed by Postmaster General. Case No. 1924. January 21, 1919.....	1007
Temporary Injunction Enjoining Going into Effect of Rates Granted by Circuit Court. January 22, 1919.....	1008
Troy, City of, v. Troy Tel. Co., <i>In re</i> Improvement in Service. Case No. 1839. February 3, 1919.....	1024
Walnut Grove Telephone Co., <i>In re</i> Rate Increase. Case No. 1727. November 27, 1918.....	634
Waverly Telephone Co., <i>In re</i> Rate Increase. Case No. 1510. Supplemental Order No. 1. March 21, 1919.....	1631
West Lawn Mutual Telephone Ass'n., <i>In re</i> Annulment of Switching Charges. Case No. 1696. November 29, 1918....	639
West Plains Telephone Co., <i>In re</i> Suspension of Rates. Case No. 1649. October 1, 1918.....	163
NEBRASKA:	
Ansley Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3306. December 2, 1918.....	705
Bassett-Springview Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3730. November 29, 1918.....	700
Beaver City Telephone Exchange, <i>In re</i> Rate Revision. Appl. No. 2381. Supplemental Order. January 29, 1919.....	1348
Beaver Valley Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3737:	
Order. January 11, 1919.....	1041
Supplemental Order. January 29, 1919.....	1349
Bertrand Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3706:	
Order. December 31, 1918.....	1030
Supplemental Order. February 28, 1919.....	1643
Campbell, C. E., <i>In re</i> Rate Increase at Western. Appl. No. 3767. December 19, 1918.....	725

NEBRASKA — Continued:

	PAGE
Cedar County Farmers Telephone Co., <i>In re</i> Rate Increase.	
Appl. No. 2293. January 24, 1919.....	1347
Crete Telephone Co., <i>In re</i> Change in Rates. Appl. No. 3814.	
March 7, 1919.....	1664
Curtis & Southwestern Telephone Co., <i>In re</i> Stock Issue. Appl.	
No. 3868. March 7, 1919.....	1666
DuBois Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3605.	
November 23, 1918.....	695
Eagle Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3414.	
December 13, 1918.....	721
Fairchild, H. G., <i>In re</i> Extension of Service. I-4972. October	
30, 1918	1028
Farmers & Merchants Telephone Co.:	
<i>In re</i> Publishing Gross and Net Rates. Appl. No. 3691.	
September 21, 1918.....	210
<i>In re</i> Rate Increase. Appl. No. 3728. January 22, 1919..	1045
Farmers Cooperative Telephone Co. of Jansen, <i>In re</i> Approval	
of Installation and Moving Charges. Appl. No. 3815. Feb-	
ruary 4, 1919.....	1350
Farmers Telephone Co. of Dix, <i>In re</i> Rate Schedule. Appl.	
No. 3662. December 3, 1918.....	719
Farmers Union Telephone Co. of Winnetoon, <i>In re</i> Rate	
Increase. Appl. No. 3768. February 5, 1919.....	1351
Firth Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3563.	
December 2, 1918.....	713
Grant Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3504.	
November 23, 1918.....	692
Hamilton County Farmers Telephone Ass'n:	
<i>In re</i> Reduction in Toll Rates. Appl. No. 3760. December	
9, 1918	720
<i>In re</i> Vacation Rates. Appl. No. 3759. January 11, 1919.	1047
<i>In re</i> Uniform System of Accounts for Telephone Companies.	
General Order No. 45. February 11, 1919.....	1358
Kearney County Independent Telephone Co., <i>In re</i> Rate	
Increase. Appl. No. 3804. February 15, 1919.....	1360
Kearney Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3748:	
Order. February 20, 1919.....	1363
Supplemental Order. March 8, 1919.....	1669
Kenesaw Telephone Co.:	
<i>In re</i> Rate Increase. Appl. No. 3715. March 1, 1919....	1650
<i>In re</i> Stock Issue. Appl. No. 3451. February 28, 1919...	1636
Lincoln Telephone & Telegraph Co.:	
<i>In re</i> Rate Increase. Appl. No. 3701:	
Order. October 1, 1918.....	211
Supplemental Order. October 29, 1918.....	678

NEBRASKA — Continued:

PAGE

Lincoln Telephone & Telegraph Co.— continued:

<i>In re</i> Rate Increase at Saronville. Appl. No. 3552. September 21, 1918.....	207
<i>In re</i> Rate Increase at Tobias. Appl. No. 3777. January 8, 1919	1035
Matheny Telephone Co., <i>In re</i> Business and Residence Vacation Rates. Appl. No. 3726. October 25, 1918.....	676
May v. Nebraska Tel. Co., <i>In re</i> Lack of Service. Informal Complaint No. 5043. December 26, 1918.....	1029
Nebraska Telephone Co.:	
<i>In re</i> Establishment of Toll Rates Between Orafino and Farnam. Appl. No. 3785. January 8, 1919.....	1037
<i>In re</i> Rate Increase. Appl. No. 3696. October 28, 1918..	240
<i>In re</i> Rates and Regulations Covering Long Distance Terminals. Appl. No. 3337. January 11, 1919.....	1040
Northern Telephone Co., <i>In re</i> Approval of Installation and Removal Charges. Appl. No. 3778. February 19, 1919.....	1363
Ohiowa Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3787. January 8, 1919.....	1039
Palisade Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3705. October 29, 1918.....	679
Pawnee City Business Men's Ass'n. v. Pawnee Tel. Co., <i>In re</i> Improvement in Service. Informal Complaint No. 5038. March 7, 1919.....	1667
Pawnee Telephone Co., <i>In re</i> Additional Charge for Desk Sets. Appl. No. 3751. November 23, 1918.....	699
Platte Valley Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3756. February 8, 1919.....	1355
Scotia Independent Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3684. March 4, 1919.....	1655
Staplehurst Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3594. November 1, 1918.....	682
Steele City Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3677. September 17, 1918.....	205
Sutherland-Fairview Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3244. Supplemental Finding. October 25, 1918.....	675
Thedford Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3712. November 5, 1918.....	687
Tri-County Telephone Co. v. Gandy Switchboard Co., <i>In re</i> Physical Connection. Formal Complaint No. 371. October 5, 1918	238
Union Telephone Co., <i>In re</i> Additional Charge for Desk Sets. Appl. No. 3717. October 25, 1918.....	700

NEBRASKA — Continued:	PAGE
Valparaiso Telephone Co., <i>In re</i> Rate Increase. Appl. No. 3654. November 9, 1918.....	688
Wyoming & Nebraska Telephone Co., <i>In re</i> Rate Increase at Cody. Appl. No. 3736:	
Order. December 31, 1918.....	730
Supplemental Order. February 10, 1919.....	1357
NEVADA:	
United Farmers' Telephone & Telegraph Co., <i>In re</i> Installation and Moving Charges Fixed by Postmaster General. Case No. 488. January 18, 1919.....	1671
NEW HAMPSHIRE:	
Connecticut Valley Telephone Co., Inc., <i>In re</i> Bond Issue. D-509. February 27, 1919.....	1376
Connecticut Valley Telephone Co., Inc., and Bradford Tel. & Tel. Co., <i>In re</i> Sale of Property. D-508. February 27, 1919.	1374
<i>In re</i> Installation and Moving Charges Authorized by Postmaster General. Order No. 829. December 3, 1918.....	739
Newport and Sunapee, Citizens of, v. New England Tel. & Tel. Co., <i>In re</i> Interchange Service Rates. D-505. March 13, 1919	1676
NEW JERSEY:	
American Telephone & Telegraph Co. <i>et al.</i> , <i>In re</i> Increased Charges for Use of Facilities. January 20, 1919.....	1053
Delaware & Atlantic Telegraph & Telephone Co. and North Jersey Tel. Co., <i>In re</i> Approval of Lease. December 3, 1918.	740
New York Telephone Co. <i>et al.</i> , <i>In re</i> Formation of Plan to Take Over Properties of Consolidated Companies. January 7, 1919	1048
NEW YORK, 2d District:	
Beck Manufacturing Co. v. New York Tel. Co., <i>In re</i> Advance Payment. Case No. 6580. November 21, 1918.....	446
Boyd v. A. S. Burleson, Postmaster General and New York Tel. Co., <i>In re</i> Installation Charge. Case No. 6656. January 30, 1919	1388
Bradley and West Cold Storage Co., Inc., v. New York Tel. Co., <i>In re</i> Rate Increase. Case No. 4147. November 26, 1918....	447
Cohen v. A. S. Burleson, Postmaster General and New York Tel. Co., <i>In re</i> Charge for Installation of Service. Case No. 6734. January 30, 1919.....	1386
Cohn v. New York Tel. Co., <i>In re</i> Discontinuance of Service for Non-Payment. Case No. 6484. December 12, 1918.....	746

TABLE OF CONTENTS.

XXV

NEW YORK (2d District)—Continued:

PAGE

Erie County Board of Supervisors <i>v.</i> A. S. Burleson and New York Tel. Co., <i>In re</i> Discrimination in Rates. Case No. 6703. March 11, 1919.....	1678
Export Corporation, Ltd., <i>v.</i> New York Tel. Co., <i>In re</i> Overcharge for Local Measured Service. Case No. 6533. December 12, 1918.....	747
Glen Telephone Co., <i>In re</i> Rate Increase. Case No. 6700. December 27, 1918.....	1059
<i>In re</i> Reports of Installation and Moving Charges Made. Case No. 6798. March 20, 1919.....	1681
Mediator Publishing Co. by Morse M. Frankel <i>v.</i> New York Tel. Co., <i>In re</i> Discontinuance of Service: Rehearing Denied. Case No. 5831. March 11, 1919.....	1678
New York Telephone Co., <i>In re</i> Toll Rates. January 21, 1919..	1063
Rubino <i>v.</i> A. S. Burleson, Postmaster General and New York Tel. Co., <i>In re</i> Charge for Restoration of Service. Case No. 6658. January 30, 1919.....	1385
Tanenbaum <i>et al.</i> <i>v.</i> A. S. Burleson, Postmaster General, and New York Tel. Co., <i>In re</i> Discontinuance of "Readiness to Serve or Installation Charge" if not Paid. Case Nos. 6654, 6657, 6655 and 6733. January 30, 1919.....	1381
Waterville Telephone Co., <i>In re</i> Bond Issue. Case No. 6716. February 18, 1919.....	1390
Western Union Telegraph Co., <i>In re</i> Service. Case No. 6678. January 14, 1919.....	1061
White <i>v.</i> A. S. Burleson, Postmaster General and New York Tel. Co., <i>In re</i> Installation Charge. Case No. 6674. January 30, 1919	1388

NORTH CAROLINA:

Southern Bell Telephone & Telegraph Co., <i>In re</i> Installation and Moving Charges Fixed by Postmaster General. September 11, 1918.....	1067
--	------

NORTH DAKOTA:

Northwestern Telephone Exchange Co., <i>In re</i> Consolidation of Exchanges. Order No. 82. January 20, 1919.....	1394
---	------

OHIO:

American Telephone & Telegraph Co. and Lima Tel. & Tel. Co., <i>In re</i> Purchase of Stock. No. 1569. December 20, 1918....	760
Cambridge Home Telephone Co., <i>In re</i> Stock and Bond Issue. No. 1353. Supplemental Order. September 30, 1918.....	243
Central District Telephone Co. and Cambridge Home Tel. Co., <i>In re</i> Rate Increase. No. 1104. Modification of Order. November 26, 1918.....	749

OHIO — Continued:		PAGE
Central Union Telephone Co., Receivers of:		
<i>In re</i> Approval of Acceptance and Holding of Stock of Domestic Corporations. No. 1612. February 7, 1919...		1397
<i>In re</i> Authority to File Toll Rates and Classifications Authorized by Postmaster General. Administrative Order No. 38. January 16, 1919.....		1072
Central Union Telephone Co., Receivers of, and Fremont Home Tel. Co., <i>In re</i> Holding of Stock. No. 1553. November 26, 1918		750
Central Union Telephone Co., Receivers of, and Mount Vernon Tel. Co., <i>In re</i> Purchase of Stock. No. 1587. December 30, 1918		761
Chesapeake & Potomac Telephone Co. of West Virginia and Lewisville Farmers Tel. Co. by W. H. Geldmacher <i>et al.</i> , <i>In re</i> Sale of Property. No. 1523. November 6, 1918.....		458
Citizens Telephone Co. of Circleville and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. No. 1125. March 19, 1919		1691
Cleveland, City of, <i>In re</i> Valuation of Property of Cleveland Tel. Co. and Cuyahoga Tel. Co. No. 194:		
Order. December 7, 1918.....		758
Modified Order. March 4, 1919.....		1685
Damascus Telephone Co., <i>In re</i> Stock Issue. No. 1620. March 5, 1919		1689
Dewey <i>et al.</i> v. Clinton Tel. Co., <i>In re</i> Establishment of Toll Rates. No. 1182. October 28, 1918.....		451
Elyria, City of, v. Elyria Tel. Co., <i>In re</i> Rate Increase. No. 722. February 28, 1919.....		1684
Frazesburg Home Telephone Co.:		
<i>In re</i> Consolidation. No. 1524. March 31, 1919.....		1692
<i>In re</i> Stock Issue. No. 1621. March 31, 1919.....		1695
Galion Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property. No. 1008. January 23, 1919.....		1074
Home Telephone Co., <i>In re</i> Bond Issue. No. 1538. October 28, 1918		453
Licking Telephone Co., <i>In re</i> Stock Issue. No. 1564. January 13, 1919		1069
New Ottawa County Telephone Co., <i>In re</i> Overhead Crossings. Administrative Order No. 37. January 10, 1919.....		1068
Newark Telephone Co., <i>In re</i> Stock Issue. No. 1641. March 31, 1919		1697

OHIO — Continued:

PAGE

Ohio State Telephone Co.:

In re Bond Issue. No. 1500. February 11, 1919..... 1400*In re* Rate Increase at Toledo. No. 288. December 1, 1918 752*In re* Stock Issue. No. 1559. December 2, 1918..... 755Ohio State Telephone Co. and Citizens Tel. Co. of Berea, *In re* Sale of Property. No. 1514. February 11, 1919..... 1403Ohio State Telephone Co. and Nelsonville & Murray Home Tel. Co., *In re* Sale of Property. No. 1594. February 7, 1919... 1400Ohio State Telephone Co. and Portage County Tel. Co., *In re* Sale of Property. No. 1491. February 11, 1919..... 1398Pataskala & Hebron Telephone Co., *In re* Stock Issue. No. 1312. September 10, 1918..... 450Pataskala & Hebron Telephone Co. and Pataskala Farmers Tel. Co., *In re* Sale of Property. No. 1219. October 24, 1918.. 450Senecaville Mutual Telephones, by Watson *et al.*, *In re* Certificate of Exigency. No. 1464. January 23, 1919..... 1076Sidney Telephone Co., *In re* Stock Issue. No. 1534. October 28, 1918 452Urbana Telephone Co. and Receivers, Central Union Tel. Co., *In re* Stock Issue. No. 1539. October 28, 1918..... 455**OKLAHOMA:**Bell v. Southwestern Bell Tel. Co., *In re* Violation of Orders No. 101 and No. 912. Citation No. 838. February 10, 1919. 1082Bleuler v. Southwestern Bell Tel. Co., *In re* Violation of Orders No. 101 and No. 1535. Citation No. 832. February 5, 1919.. 1082

Gibbons v. Southwestern Bell Tel. Co.:

In re Violation of Orders No. 101 and No. 1535. Citation No. 834. February 5, 1919..... 1082*In re* Fine for Putting into Effect Rates Fixed by Postmaster General. Order No. 1550. March 27, 1919..... 1699Gore v. Southwestern Bell Tel. Co., *In re* Violation of Order Prohibiting Toll Rates Prescribed by Postmaster General. January 24, 1919. Citation No. 830..... 1081Henderson v. Remus Tel. Co., Tecumseh Tel. Co. & Southwestern Bell Tel. Co., *In re* Reestablishment of Physical Connection. Order No. 1553. March 31, 1919..... 1702Jones v. Southwestern Bell Tel. Co., *In re* Violation of Order No. 101. Citation No. 841. February 14, 1919..... 1082Lemar v. Southwestern Bell Tel. Co., *In re* Violation of Orders No. 101, No. 1535 and No. 912. Citation No. 835. February 6, 1919 1082

OKLAHOMA — Continued:

PAGE

Roberts v. Southwestern Bell Tel. Co., <i>In re</i> Violation of Orders No. 101, No. 1535 and No. 912. Citation No. 839. February 11, 1919	1082
Southwestern Bell Telephone Co.:	
<i>In re</i> Rate Increase at Afton. Case No. 3627. January 4, 1919	1077
<i>In re</i> Rate Increase at Oklahoma City. Order No. 1504. October 18, 1918.....	245
State ex rel. S. P. Freeling, Attorney General, v. Southwestern Bell Tel. Co.:	
<i>In re</i> Failure to Refrain from Installing Toll Rates Prescribed by Postmaster General. Order No. 1541. February 19, 1919.....	1405
<i>In re</i> Toll Rates Fixed by Postmaster General. Order No. 1535. January 20, 1919.....	1079
Youngblood v. Southwestern Bell Tel. Co., <i>In re</i> Violation of Orders No. 101 and No. 1535. Citation No. 833. February 5, 1919	1082

ONTARIO:

Burnt River Telephone Co., Ltd., <i>In re</i> Rate Increase. P. F. 5001. October 26, 1918.....	521
Byron Telephone Co., Ltd., <i>In re</i> Rates. P. F. 4825. October 9, 1918	515
Cramahe, Commissioners of, v. Commissioners of Percy, <i>In re</i> Reversal of Toll Charges. P. F. 4934. October 9, 1918....	516
Dunsford Telephone, Light & Power Co., Ltd., <i>In re</i> Rate Increase. P. F. 4932. October 26, 1918.....	517
Dunwich & Dutton Telephone Co., Ltd., <i>In re</i> Rate Increase. P. F. 490. October 26, 1918.....	519
Kerns, Commissioners of, v. Armstrong Independent Tel. Co., Ltd., <i>In re</i> Physical Connection. P. F. 5047. December 31, 1918	1787
Kerns, Commissioners of, v. Temiskaming Tel. Co., Ltd., <i>In re</i> Reduction in Toll Rates. P. F. 5089. December 31, 1918..	1790
Nairn and Roy v. Sebringville Tel. Co. and St. Mary's, Medina & Kirkton Tel. Co., Ltd., <i>In re</i> Physical Connection. P. F. 5046. November 30, 1918.....	1786
Quinlan, P. F., <i>In re</i> Rate Increase. P. F. 4982. October 26, 1918	515
St. Mary's, Medina & Kirkton Telephone Co., Ltd., <i>In re</i> Rate Increase. P. F. 5034. November 30, 1918.....	1786
South Gosfield Telephone Co., by H. C. Layman, <i>In re</i> Rate Increase. P. F. 4790. October 1, 1918.....	514
Yarmouth Rural Telephone Co., Ltd., <i>In re</i> Rate Increase. P. F. 4860. October 9, 1918.....	515

TABLE OF CONTENTS.

xxix

OREGON:

	PAGE
Clatskanie Telephone Co., <i>In re</i> Rate Increase. Order No. 434. September 10, 1918.....	258
Home Independent Telephone Co. of La Grande, <i>In re</i> Rate Increase. Order No. 488. January 31, 1919.....	1089
Lebanon Mutual Telephone Co., <i>In re</i> Rate Increase. Order No. 423. August 29, 1918.....	251
Nehalem Telephone & Telegraph Co., <i>In re</i> Rate Increase. Order No. 463. November 19, 1918.....	763
Newberg Telephone Co., <i>In re</i> Rate Increase. Order No. 431. September 9, 1918.....	256
Pacific Telephone & Telegraph Co.:	
<i>In re</i> Installation and Moving Charges. Order No. 468. November 19, 1918.....	461
<i>In re</i> Investigation of Rates, Charges and Regulations. Order No. 472. November 25, 1918.....	769
Tillamook County Mutual Tel. Co., <i>In re</i> Rate Increase. Order No. 481. December 26, 1918.....	1083

PENNSYLVANIA:

Andrews v. Bell Telephone Co. of Pennsylvania, <i>In re</i> Instal- lation and Moving Charges. Complaint Docket No. 2064. October 22, 1918.....	266
Bedford & Fulton Telephone Co. v. Chapmans Run Mutual Tel. Co., <i>In re</i> Change of Patronage from One Company to Competitor. Docket No. 2303. December 10, 1918.....	1116
Bell Telephone Co. of Pennsylvania, <i>In re</i> Installation and Moving Charges. Appl. Docket No. 2173. October 22, 1918.	463
East Hickory and Endeavor, Subscribers of, v. Bell Tel. Co. of Pa. Complaint Docket No. 1795. December 10, 1918.....	1113

RHODE ISLAND:

New England Telephone & Telegraph Co., <i>In re</i> Installation and Moving Charges. No. 448. December 11, 1918.....	774
---	-----

SOUTH CAROLINA:

Southern Bell Telephone & Telegraph Co., <i>In re</i> Rate Increase. January 3, 1919.....	1464
--	------

SOUTH DAKOTA:

Cavour Telephone Exchange Co., <i>In re</i> Rate Increase. No. 3446. March 26, 1919.....	1723
Dakota Central Telephone Co.:	
<i>In re</i> Rate Increase at Aberdeen:	
No. 3330. December 19, 1918.....	786
No. 3449. March 4, 1919.....	1495
<i>In re</i> Rate Increase at Bradley. No. 3322. March 3, 1919	1488

SOUTH DAKOTA — Continued:

Dakota Central Telephone Co.—continued:	PAGE
<i>In re</i> Rate Increase at Bristol. F-3323. February 28, 1919	1488
<i>In re</i> Rate Increase at Carthage. No. 3316. March 26, 1919	1488
<i>In re</i> Rate Increase at Clark. No. 3321. March 3, 1919..	1488
<i>In re</i> Rate Increase at Doland. No. 3320. February 28, 1919	1488
<i>In re</i> Rate Increase at Florence. No. 3319. February 28, 1919	1486
<i>In re</i> Rate Increase at Hehry. No. 3318. March 3, 1919.	1488
<i>In re</i> Rate Increase at Mellette. No. 3450. March 3, 1919	1493
<i>In re</i> Rate Increase at South Shore. No. 3317. March 3, 1919	1488
<i>In re</i> Rate Increase at Stratford. No. 3329. December 19, 1918	783
Hanson <i>et al.</i> v. Tri-County Farmers Tel. Co., <i>In re</i> Service. F-595. March 3, 1919.....	1491
Houghton <i>et al.</i> v. Dakota Central Tel. Co., <i>In re</i> Toll Service. No. 3369. March 10, 1919.....	1706
Jefferson & Civil Bend Telephone Co., <i>In re</i> Rate Increase. Docket No. 3243. November 18, 1918.....	465
Jordon v. Peoples Tel. & Tel. Co., <i>In re</i> Physical Connection. No. 3264. February 26, 1919.....	1465
Moody County Telephone Co., <i>In re</i> Rate Increase. No. 3479. March 14, 1919.....	1709
Peoples Telephone & Telegraph Co. v. W. G. Flat Tel. Co., <i>In re</i> Routing of Messages and Switching Service. No. 3178. March 17, 1919.....	1717
Peterson v. Hyde County Tel. Co., <i>In re</i> Restoration of Service. No. 3314. February 26, 1919.....	1471
Potter County Telephone Co., <i>In re</i> Rate Increase. F-549 and F-550. November 29, 1918.....	775
Salem Telephone Co., <i>In re</i> Rate Increase. No. 3204. January 21, 1919	1118
Stroecker v. Sheps Canyon Tel. Co. and Peoples Tel. & Tel. Co., <i>In re</i> Extension of Hours of Service and Manner of Routing Messages. No. 3179. February 28, 1919.....	1481
Tri-County Farmers Telephone Co., <i>In re</i> Rate Increase at Irene. F-571. December 24, 1918.....	791
Tri-County Mutual Telephone Co., <i>In re</i> Rate Increase at Emery. No. 3354. February 28, 1919.....	1488
Young v. Hyde County Tel. Co., <i>In re</i> Extension of Service. No. 3388. February 26, 1919.....	1477

UTAH:

PAGE

In re Toll Rates and Toll Classifications Prescribed by Postmaster General. General Order No. 4. February 20, 1919.. 1499

VIRGINIA:

Commonwealth of Virginia *ex rel.* Board of Supervisors of Russell County *et al. v.* McFaddin Tel. Co., Inc., *In re* Electrical Interference. Case No. 632. June 12, 1918..... 1132

Home Telephone Co., *In re* Rate Increase. Case No. 715. September 23, 1918..... 473

WASHINGTON:

Public Service Commission *et al. v.* Pacific Tel. & Tel. Co. and A. S. Burleson, Postmaster General, *In re* Rate Increase. No. 4747:

Order. February 13, 1919..... 1501

Modified Order. March 20, 1919..... 1727

Public Service Commission *et al. v.* Home Tel. & Tel. Co. of Spokane and A. S. Burleson, Postmaster General, *In re* Rate Increase. No. 4747:

Order. February 13, 1919..... 1501

Modified Order. March 20, 1919..... 1727

Public Service Commission *v.* The Home Tel. & Tel. Co. of Spokane, Pacific Tel. & Tel. Co. and A. S. Burleson, Postmaster General, *In re* Re-Suspension of Rate Schedule. No. 4747. January 23, 1919..... 1142

WEST VIRGINIA:

American Telephone & Telegraph Co., *In re* Toll Rates Fixed by Postmaster General. January 20, 1919..... 1144

Romney Consolidated Telephone Co. and Chesapeake & Potomac Tel. Co. of West Virginia, *In re* Rate Increase. Case No. 716. February 20, 1919..... 1528

WISCONSIN:

Antigo Telephone Corp., *In re* Rate Increase. U-961. November 1, 1918..... 489

Attica Mutual Telephone Co., *In re* Rate Increase. U-987. December 13, 1918..... 835

Augusta Light & Telephone Co., *In re* Rate Increase. U-901. October 14, 1918..... 305

Badger Telephone Co., *In re* Rate Increase. U-1009. January 1, 1919..... 1158

Basswood-Eagle Telephone Co., *In re* Rate Increase. U-1048. March 8, 1919..... 1750

Beaver Telephone Co., *In re* Rate Increase. U-976. December 2, 1918..... 827

WISCONSIN — Continued :

	PAGE
Brandon Telephone Co., <i>In re</i> Rate Increase. U-992. December 17, 1918	839
Coloma Telephone Co., <i>In re</i> Rate Increase. U-1005. December 30, 1918	1146
Eagle River Telephone Co., <i>In re</i> Rate Increase. U-1038. February 25, 1919.....	1549
Eastern Fond du Lac County Telephone Co., <i>In re</i> Rate Increase. U-1007. December 30, 1918.....	1148
Hamburg Telephone Co., <i>In re</i> Rate Increase. U-1053. March 24, 1919	1769
Home Telephone Co. of Richland Center, <i>In re</i> Rate Increase. U-1008. January 1, 1919.....	1152
Independence Telephone Co., <i>In re</i> Investigation of Service Rendered. October 14, 1918.....	305
Iron River Water, Light & Telephone Co., <i>In re</i> Rate Increase. U-1052. March 24, 1919.....	1763
LaFarge Telephone Co., <i>In re</i> Rate Increase. U-1036. February 20, 1919.....	1541
Lancaster Light & Power Co. v. Platteville, Rewey & Ellenboro Tel. Co., <i>In re</i> Apportionment of Cost of Work to Prevent Electrical Interference. September 28, 1918.....	268
Larsen Telephone Co., <i>In re</i> Rate Increase. U-984. December 12, 1918	829
Lime Ridge & Ithaca Telephone Co., <i>In re</i> Extension of Service. U-1043. February 26, 1919.....	1556
Manawha Telephone Co., <i>In re</i> Rate Increase. U-995. December 24, 1918.....	845
Markesan Telephone Co., <i>In re</i> Rate Increase. U-1024. January 25, 1919.....	1194
Menomonee Falls Telephone Co., <i>In re</i> Rate Increase. U-1032. February 12, 1919.....	1532
Meyers v. Marshfield Rural Tel. Co., <i>In re</i> Extension of Service. U-1014. January 8, 1919.....	1165
Minong Telephone Co., <i>In re</i> Rate Increase. U-1049. March 8, 1919	1752
Murray Farmers Telephone Co., <i>In re</i> Rate Increase. U-945. October 9, 1918.....	289
Newton-Manitowoc Telephone Co., <i>In re</i> Rate Increase. October 26, 1918	307
Oakfield Telephone Co., <i>In re</i> Rate Increase. U-1025. January 25, 1919	1211
Plain Telephone Co., <i>In re</i> Rate Increase. U-1026. January 25, 1919	1216

WISCONSIN — Continued:

	PAGE
Platteville, Rewey & Ellenboro Telephone Co., <i>In re</i> Interchange of Service Rates. U-1016. January 15, 1919.....	1168
Port Wing Telephone Co., <i>In re</i> Rate Increase. U-1017. January 15, 1919.....	1169
Price County Telephone Co., <i>In re</i> Rate Increase. U-970. November 29, 1918.....	800
Richland Telephone Co., <i>In re</i> Rate Increase. U-939. September 30, 1918.....	269
Shell Lake Telephone Co., <i>In re</i> Rate Increase. U-950. October 12, 1918	299
Shiloh Telephone Co., <i>In re</i> Rate Increase. U-1050. March 8, 1919	1761
Tenney Telephone Co. v. Wisconsin-Minnesota Light & Power Co., <i>In re</i> Reconstruction of Line. U-1046. March 5, 1919..	1747
Three Lakes Telephone Exchange, <i>In re</i> Rate Increase. U-1054. March 31, 1919.....	1772
Twin City Telephone Co., <i>In re</i> Rate Increase. U-975. December 2, 1918.....	815
United Telephone Co.:	
<i>In re</i> Rate Increase at Albany. U-974. November 30, 1918	804
<i>In re</i> Rate Increase at Blanchardville. U-1022. January 24, 1919	1176
Western Crawford County Farmers Mutual Telephone Co. v. Union Tel. Co., <i>In re</i> Establishment of Toll Rates. U-948. October 9, 1918.....	293
Westford Telephone Co.:	
<i>In re</i> Increase in Switching Rates. U-986. December 12, 1918	833
<i>In re</i> Rate Increase. U-988. December 13, 1918.....	837
Wheeler Telephone Co., <i>In re</i> Rate Increase. U-960. November 1, 1918	485
Wisconsin Telephone Co., <i>In re</i> Toll Rates Fixed by Postmaster General. January 20, 1919.....	1172
Temporary Writ of Injunction to Restrain Putting into Effect of Rates Denied. January 24, 1919.....	1173
Woodhull Telephone Co., <i>In re</i> Rate Increase. U-999. December 24, 1918.....	849

TABLE OF COMMISSION CASES CITED

TABLE OF COMMISSION CASES CITED.

Commission Leaflets 84-89, Inclusive.

December, 1918-May, 1919.

	PAGE
Antigo Water Co., <i>Hill et al. v.</i> , 3 W. R. C. R. 623.....	18
Armstrong Independent Telephone Co., Ltd., Commissioners of Kerns v., 89 C. L. 1787.....	1789
Assumption Mutual Telephone Co. v. Receivers, Central Union Tel. Co., 46 C. L. 1109.....	1251-1254
Atchison, Topeka & Santa Fe Railroad Co., <i>In re</i> Rate Increase, P. U. R. 1917-F, 272.....	393
Atlantic Coast Telephone Co. and New York Tel. Co., <i>In re</i> Con- solidation, 69 C. L. 638.....	1048-1049, 1051
Augusta Light & Telephone Co., <i>In re</i> Rate Increase, 68 C. L. 434..	305
Badger Telephone Co.:	
<i>In re</i> Rate Increase, 69 C. L. 750.....	1160
<i>In re</i> Revision of Switching Rates, 78 C. L. 1665.....	1161
Beaver City Telephone Exchange, <i>In re</i> Rate Increase, 81 C. L. 990..	1349
Beaver Valley Telephone Co., <i>In re</i> Rate Increase, 87 C. L. 1041....	1349
Bell Telephone Co. of Canada:	
<i>In re</i> Construction of Underground Conduit in London, 85 C. L. 508; VIII. 18 Can. Bd. Ry. Com., 426.....	558
<i>In re</i> Construction of Underground Lines in Ottawa, 75 C. L. 585	512
Bell Telephone Co. of Canada, North Lancaster Exchange v., 73 C. L. 181; 21 C. R. C. 220.....	1782
Bell Telephone Co. of Canada, <i>Tinkess et al. v.</i> , 55 C. L. 516; 20 C. R. C. 249, 253.....	1782
Bell Telephone Co. of Canada, Ltd., <i>City of Windsor v.</i> , 76 C. L. 889	512
Bertrand Telephone Co., <i>In re</i> Rate Increase:	
17 C. L. 695.....	1031-1033, 1645-1646
87 C. L. 1030.....	1643-1644
Birmingham, City of, v. Southern Bell Tel. & Tel. Co., 84 C. L. 1....	872
Boonville Telephone Co., <i>In re</i> Rate Increase, 89 C. L. 1315.....	1343
Bradburn, <i>Cook et al. v.</i> , 90 C. L. 186.....	1703
Bradley and West Somerset Cold Storage Co. v. New York Tel. Co., 45 C. L. 975.....	447-448

Butler-Rich Hill Telephone Co., <i>In re</i> Suspension of Rates:	
Order, 81 C. L. 930.....	427-431, 433-435
Supplemental Order, 85 C. L. 427.....	641
Cadwallader Telephone Co. <i>et al.</i> , Freeland Park Tel. Co. <i>et al. v.</i> ,	
79 C. L. 83.....	612
Cahokia Telephone Co. and Harrisonville Tel. Co., <i>In re</i> Sale of	
Property, 84 C. L. 47.....	355-356
California Southern Railroad Co. and Western Union Tel. Co., Colo-	
rado River Tel. Co. <i>v.</i> , 71 C. L. 1004.....	40-41
Caruthersville & Kennett Electric Light & Power Co. <i>v.</i> Southwestern	
Bell Tel. Co., 67 C. L. 81; P. U. R. 1917-C, 1012.....	1136
Cedar County Farmers Telephone Co., <i>In re</i> Rate Increase:	
68 C. L. 370.....	1347-1348
Supplemental Order, 81 C. L. 983.....	1347
Central Illinois Independent Telephone Co. and Wenona Tel. Co.,	
<i>In re</i> Sale of Property and Issue of Stock, 85 C. L. 349.....	344, 346
Central Indiana Telephone Co.:	
<i>In re</i> Discontinuance of Free Service, 78 C. L. 1426.....	404
<i>In re</i> Rate Increase, 78 C. L. 1426.....	404
Central Union Telephone Co., Receivers of, and Assumption Tel.	
Co., Assumption Mutual Tel. Co. <i>v.</i> , 46 C. L. 1109.....	1251-1254
Central Union Telephone Co., Receivers of, and Citizens Tel. Co. of	
Circleville, <i>In re</i> Sale of Property, 80 C. L. 685.....	1691-1692
Central Union Telephone Co., Receivers of, and Decatur Home Tel.	
Co., <i>In re</i> Sale of Property, 55 C. L. 384.....	1233, 1251-1254
Central Union Telephone Co., Receivers of, and Eastern Illinois	
Independent Tel. Co., 86 C. L. 533.....	564-566
Central Union Telephone Co., Receivers of, and Fremont Home Tel.	
Co., <i>In re</i> Sale of Property, 77 C. L. 1139.....	749-750
Central Union Telephone Co., Receivers of, and Galion Tel. Co.,	
<i>In re</i> Sale of Property, 73 C. L. 124.....	1074-1075
Central Union Telephone Co., Receivers of, Indiana Hotel Co. <i>v.</i> , 82	
C. L. 1309.....	380, 382, 386-387
Central Union Telephone Co., Receivers of, and Mount Vernon Tel.	
Co., <i>In re</i> Stock Issue, 82 C. L. 1426.....	761-762
Central Union Telephone Co., Receivers of, and Urbana Tel. Co.,	
<i>In re</i> Sale of Property, 83 C. L. 1662.....	456-457
Chesapeake & Potomac Telephone Co., Shoemaker <i>v.</i> , 1 C. L. 25;	
20 I. C. C. 614.....	127
Chicago Telephone Co. <i>v.</i> Postal Telegraph-Cable Co., 66 C. L.	
1473	47, 555
Chicago Telephone Co., Stein <i>v.</i> , 81 C. L. 827.....	87
Citizens Telephone Co. of Berea and Ohio State Tel. Co., <i>In re</i> Pur-	
chase of Stock, 81 C. L. 1057.....	1402-1403

	PAGE
Citizens Telephone Co. of Circleville and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property, 80 C. L. 685.....	1691-1692
Citizens Telephone Co. of Kokomo, <i>In re</i> Note Issue:	
79 C. L. 124.....	1268-1272
Modified Order, 88 C. L. 1268.....	1271-1272
City Water Co., <i>In re</i> Rate Increase in Sedalia, P. U. R. 1917-B, 624	393
College Corner Telephone Co., <i>In re</i> Rate Increase, 77 C. L. 1015....	124
Colorado River Telephone Co. v. California Southern R. R. Co. and Western Union Tel. Co., 71 C. L. 1004.....	40-41
Colorado Springs Light, Heat & Power Co., <i>In re</i> Investigation of Reasonableness of Rate Schedules, P. U. R. 1917-F, 385.....	393
Cook <i>et al.</i> v. Bradburn, 90 C. L. 186.....	1703
Coos Telephone Co., <i>In re</i> Rates, 81 C. L. 1008; 6 N. H. P. S. C. Rep. 474	1676
Decatur Home Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property, 55 C. L. 384.....	1233, 1251-1254
Delaware & Atlantic Telegraph & Telephone Co., <i>In re</i> Reasonableness of Rates, 73 C. L. 109.....	1050
Delaware & Atlantic Telegraph & Telephone Co. and New York Tel. Co., <i>In re</i> Consolidation, 73 C. L. 120.....	1049-1050
Doan <i>et al.</i> v. Farmers & Merchants Co-operative Tel. Co., 62 C. L. 348	612
Eastern Illinois Independent Telephone Co. and Receivers, Central Union Tel. Co., 86 C. L. 533.....	564-566
Edwards <i>et al.</i> v. Glen Tel. Co.:	
51 C. L. 912.....	1059
Supplemental Order, 52 C. L. 1151.....	1059
Elroy Telephone Co., <i>In re</i> "Other Line" Charge, 49 C. L. 450; 16 W. R. C. R. 819-826.....	1539
Elyria, City of, v. Elyria Tel. Co., 65 C. L. 1322.....	1684-1685
Empire Gas & Electric Co., <i>In re</i> Rates, P. U. R. 1918-D, 912..	1524-1525
Farmers & Merchants Co-operative Telephone Co., Doan <i>et al.</i> v., 62 C. L. 348.....	612
Farmers & Merchants Co-operative Telephone Co. of Boswell, <i>In re</i> Stock Issue, 42 C. L. 54.....	612
Farmers & Merchants Telephone Co. of Alma, <i>In re</i> Rate Increase, 78 C. L. 1534.....	1137
Farmers Mutual Telephone Co., Whitley County Tel. Co. v., 46 C. L. 1140.....	393
Modified Order, 53 C. L. 1252.....	393
Farmers Telephone Co. of Beetown, <i>In re</i> Rate Increase, 81 C. L. 1085; 21 W. R. C. R. 281.....	1168
Farmers Telephone Co. of Dix, <i>In re</i> Stock Issue, 83 C. L. 1639....	719

	PAGE
Frankel, Morse M., Secretary of Mediator Publishing Co. v. New York Tel. Co.:	
64 C. L. 1033.....	1678
Order, 65 C. L. 1314.....	1678
Frankel, Mrs. Morse M., v. New York Tel. Co., 67 C. L. 110.....	1678
Frazeysburg Home Telephone Co., Frazeysburg Tel. Co. and Frazeysburg Bell Tel. Co., <i>In re</i> Consolidation, 89 C. L. 1692.1695-1696	
Freeland Park Telephone Co. <i>et al.</i> v. Cadwallader Tel. Co. <i>et al.</i> , 79 C. L. 83.....	612
Freeland Park Telephone Exchange and Kelley <i>et al.</i> , <i>In re</i> Sale of Property, 71 C. L. 1086.....	609, 611
Fremont Home Telephone Co., <i>In re</i> Stock Issue, 83 C. L. 1653..	751-752
Fremont Home Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property, 77 C. L. 1139.....	749-750
Galion Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Sale of Property, 73 C. L. 124.....	1074-1075
Gandy Switchboard Co., Tri-County Tel. Co., v., 81 C. L. 1000.....	238
Order to show cause, 83 C. L. 1631.....	238
Glen Telephone Co., Edwards <i>et al.</i> , v., 51 C. L. 912.....	1059
Supplemental Order, 52 C. L. 1151.....	1059
Glen Telephone Co., Merchants Ass'n. of Gloversville by Griffin v., 51 C. L. 912.....	1059
Supplemental Order, 52 C. L. 1151.....	1059
Greencastle Local Phoenix Telephone Co., <i>In re</i> Rate Increase:	
78 C. L. 1404.....	1280-1281
Modified Order, 79 C. L. 154.....	1280
Greensburg v. Westmoreland Water Co., P. U. R. 1917-D, 478.....	393
Hannibal Trust Co. <i>et al.</i> v. Southwestern Tel. & Tel. Co., 51 C. L. 878; 3 Mo. P. S. C. 451.....	1342
Harrisonville Telephone Co. and Cahokia Tel. Co., <i>In re</i> Sale of Property, 84 C. L. 47.....	355-356
Haverhill Gas Light Co., <i>In re</i> Rate Increase, P. U. R. 1918-D, 151	1524-1525
Hill <i>et al.</i> v. Antigo Water Co., 3 W. R. C. R. 623.....	18
Holyoke Street Railway Co., <i>In re</i> Rate Increase, P. U. R. 1918-B, 212	1524-1525
Home Telephone & Telegraph Co. of Spokane and A. S. Burleson, Postmaster General, Public Service Commission <i>et al.</i> v., 88 C. L. 1501	1727, 1729
Home Telephone & Telegraph Co. of Spokane, Pacific Tel. & Tel. Co. and A. S. Burleson, Postmaster General, Public Service Commission v., 87 C. L. 1142; 88 C. L. 1527.....	1732

	PAGE
Home Telephone Co. of Noblesville, <i>In re</i> Rate Increase, 77 C. L. 1022; P. U. R. 1918-C, 489.....	1524-1525
Home Telephone Co. of Wabash, <i>In re</i> Rate Increase, 87 C. L. 943..	1614
Illinois Independent Telephone Ass'n. <i>et al.</i> :	
<i>In re</i> Authority for Several Telephone Utilities to Increase Rates, etc., 77 C. L. 944.....	914
<i>In re</i> Rate Increase, 87 C. L. 913.....	1597
Indiana Hotel Co. v. Receivers of Central Union Tel. Co., 82 C. L. 1309	380, 382, 386-387
Jefferson City Light, Heat & Power Co., <i>Thomas v.</i> , P. U. R. 1917-B, 745	393
Kearney Telephone Co.:	
<i>In re</i> Rate Increase, 88 C. L. 1363.....	1669
<i>In re</i> Suspension of Rates, 85 C. L. 420.....	425
Kelley <i>et al.</i> and Freeland Park Tel. Exchange, <i>In re</i> Sale of Property, 71 C. L. 1086.....	609, 611
Kenesaw Telephone Co., <i>In re</i> Stock Issue, 89 C. L. 1636.....	1651, 1654
Kerns, Commissioners of, v. Armstrong Independent Tel. Co., Ltd., 89 C. L. 1787.....	1789
Knott <i>et al.</i> v. Southwestern Tel. & Tel. Co., 46 C. L. 1186; 2 Mo. P. S. C. 531.....	1324-1325, 1342-1343
Lancaster Light & Power Co. v. Platteville, Rewey & Ellenboro Tel. Co.:	
66 C. L. 1636; 19 W. R. C. R. 198.....	268, 1749
Supplementary Order, 71 C. L. 1245.....	269
Lima Telephone & Telegraph Co., <i>In re</i> Stock Issue, 71 C. L. 1160..	760
Lincoln Telephone & Telegraph Co.:	
<i>In re</i> Discontinuance of Grounded Circuit Service Rates at Ashland, 46 C. L. 1225; P. U. R. 1915-D, 803, 807.....	1137
<i>In re</i> Rate Increase, 84 C. L. 211.....	678, 1035-1036
Long Island Railroad Co., <i>In re</i> Rate Increase, P. U. R. 1918-A, 649	1524-1525
Macon Telephone Co., <i>In re</i> Purchase of Property of F. C. Orton, 67 C. L. 53.....	1259-1261
Macoupin County Telephone Co., <i>In re</i> Bond Issue, 77 C. L. 983.....	52-53
Malone v. New York Tel. Co., 57 C. L. 713; 40 I. C. C. 185.....	127
Marshfield Telephone Exchange, <i>In re</i> Rate Increase, 67 C. L. 192; 19 W. R. C. R. 315, 327.....	503
Master Bakers' Federation v. New York Tel. Co., 68 C. L. 383.....	1678
Mediator Publishing Co., by Morse M. Frankel, v. New York Tel. Co.:	
64 C. L. 1033.....	1678
65 C. L. 1314.....	1678

	PAGE
Merchants Ass'n. of Gloversville, by Griffin, v. Glen Tel. Co.:	
51 C. L. 912.....	1059
Supplemental Order, 52 C. L. 1151.....	1059
Michigan State Telephone Co. and Union Tel. Co., <i>In re</i> Consolidation, 84 C. L. 149.....	416
Missouri & Kansas Telephone Co., <i>In re</i> Suspension of Rates and Valuation of Property:	
81 C. L. 944.....	182
Motion for Rehearing Overruled, 82 C. L. 1391.....	182
Mount Vernon Telephone Co. and Receivers, Central Union Tel. Co., <i>In re</i> Stock Issue, 82 C. L. 1426.....	761-762
Mountain States Telephone & Telegraph Co.:	
<i>In re</i> Certificate of Exigency, 89 C. L. 1559.....	1564
<i>In re</i> Rates at Clarkdale, 89 C. L. 1559.....	1564
Mountain States Telephone & Telegraph Co. and New State Construction Co., <i>In re</i> Sale of Property, III. C. T. C. 159.....	1561
Nelsonville & Murray Home Telephone Co. and Ohio State Tel. Co., <i>In re</i> Purchase of Stock, 81 C. L. 1056.....	1402
New England Telephone & Telegraph Co.:	
<i>In re</i> Installation and Moving Charges, 83 C. L. 1567.....	625
<i>In re</i> Proposed Changes in Toll Rates, 87 C. L. 962.....	963
	966-967, 971
New State Construction Co. and Mountain States Tel. & Tel. Co., <i>In re</i> Sale of Property, III. C. T. C. 159.....	1561
New York Telephone Co., <i>In re</i> Reasonableness of Rates, 73 C. L. 83	1050, 1052
New York Telephone Co. and A. S. Burleson, Postmaster General, Tanenbaum <i>et al.</i> v., 88 C. L. 1381.....	1681
New York Telephone Co. and Atlantic Coast Tel. Co., <i>In re</i> Consolidation, 69 C. L. 638.....	1048-1049, 1051
New York Telephone Co. and Delaware & Atlantic Tel. & Tel. Co., <i>In re</i> Consolidation, 73 C. L. 120.....	1049-1050
New York Telephone Co., Bradley and West Somerset Co'd Storage Co. v., 45 C. L. 975.....	447-448
New York Telephone Co., Mrs. Morse M. Frankel v., 67 C. L. 110..	1678
New York Telephone Co., Malone v., 57 C. L. 713; 40 I. C. C. 185..	127
New York Telephone Co., Master Bakers' Federation v., 68 C. L. 383	1678
New York Telephone Co., Mediator Publishing Co., by Morse M. Frankel v.:	
64 C. L. 1033.....	1678
65 C. L. 1314.....	1678
New York Telephone Co., Ostro v., 50 C. L. 640.....	748

TABLE OF COMMISSION CASES CITED.

xliii

	PAGE
New York Telephone Co., State Agricultural and Industrial School v., 35 C. L. 110.....	1680
New York Telephone Co., Tracy v., 70 C. L. 949.....	748
North Lancaster Exchange v. Bell Tel. Co. of Canada, 73 C. L. 181; 21 C. R. C. 220.....	1782
Northwestern Telephone Exchange Co. and Tri-State Tel. & Tel. Co., <i>In re</i> Sale of Property, 78 C. L. 1490.....	981, 986
Oak Grove Home Telephone Co., Texas Prairie Tel. Co. and Star Tel. Co. v., 60 C. L. 1438; 4 Mo. P. S. C. 531.....	191
Ohio State Telephone Co. and Citizens Tel. Co. of Berea, <i>In re</i> Pur- chase of Stock, 81 C. L. 1057.....	1402-1403
Ohio State Telephone Co. and Nelsonville & Murray Home Tel. Co., <i>In re</i> Purchase of Stock, 81 C. L. 1056.....	1402
Ohio State Telephone Co. and Portage County Tel. Co., <i>In re</i> Pur- chase of Stock, 81 C. L. 1059.....	1399, 1402
Ostro v. New York Tel. Co., 50 C. L. 640.....	748
Pacific Telephone & Telegraph Co. <i>et al.</i> , <i>In re</i> Installation and Mov- ing Charges, 86 C. L. 525.....	1295
Pacific Telephone & Telegraph Co. and A. S. Burleson, Postmaster General, Public Service Commission <i>et al.</i> v., 88 C. L. 1501..	1727, 1729
Pacific Telephone & Telegraph Co. and San Diego Home Tel. Co. <i>et al.</i> , <i>In re</i> Sale of Property, 83 C. L. 1510.....	873
Pacific Telephone & Telegraph Co., Home Tel. & Tel. Co. of Spokane and A. S. Burleson, Postmaster General, Public Service Commis- sion v., 87 C. L. 1142; 88 C. L. 1527.....	1732
Palisade Telephone Co., <i>In re</i> Rate Increase, 64 C. L. 1024.....	680-681
Peoples Home Telephone Co. of Leavenworth, <i>In re</i> Change of Rates, 77 C. L. 1040.....	957, 959
Peoples Telephone Co. of Chillicothe, <i>In re</i> Execution of Mortgage and Issue of Bonds, 72 C. L. 1336.....	1255-1256
Peoples Telephone Co. of Graham, <i>In re</i> Stock Issue, Case No. 1269, 70 C. L. 929.....	1022
Pine Lawn v. West St. Louis Water & Light Co., P. U. R. 1917-B, 679	393
Platteville, Rewey & Ellenboro Telephone Co., Lancaster Light & Power Co. v.:	
66 C. L. 1636; 19 W. R. C. R. 198.....	268, 1749
Supplementary Order, 71 C. L. 1245.....	269
Portage County Telephone Co. and Ohio State Tel. Co., <i>In re</i> Pur- chase of Stock, 81 C. L. 1059.....	1399, 1402
Postal Telegraph-Cable Co., Chicago Tel. Co. v., 66 C. L. 1473.....	47
Potomac Electric Power Co., <i>In re</i> Valuation of Property, P. U. R. 1917-D, 563	393
Public Service Commission <i>et al.</i> v. Home Tel. & Tel. Co. of Spokane and A. S. Burleson, Postmaster General, 88 C. L. 1501.....	1727, 1729

	PAGE
Public Service Commission <i>v.</i> Home Tel. & Tel. Co. of Spokane, Pacific Tel. & Tel. Co. and A. S. Burleson, Postmaster General, 87 C. L. 1142; 88 C. L. 1527.....	1732
Public Service Commission <i>et al.</i> <i>v.</i> Pacific Tel. & Tel. Co. and A. S. Burleson, Postmaster General, 88 C. L. 1501.....	1727, 1729
Remus Rural Telephone Co. <i>v.</i> Tecumseh Tel. Co., 59 C. L. 1276....	1704
Richiand Telephone Co., <i>In re</i> Rate Increase, 84 C. L. 269....	1155, 1162
Roann Telephone Co., <i>In re</i> Rate Increase, 85 C. L. 372.....	411
Salem Commercial Club <i>v.</i> Salem Tel. Co., 22 C. L. 996.....	1123
San Diego Home Telephone Co. <i>et al.</i> and Pacific Tel. & Tel. Co., <i>In re</i> Sale of Property, 83 C. L. 1510.....	873
Sangamon Valley Telephone Co., Williamsville & Sherman Tel. Co. and Williamsville Tel. Co., <i>In re</i> Purchase of Property, Stock Issue and Certificate of Exigency, 60 C. L. 1404.....	58
Shoemaker <i>v.</i> Chesapeake & Potomac Tel. Co., 1 C. L. 25; 20 I. C. C. 614	127
Southern Bell Telephone & Telegraph Co., City of Birmingham <i>v.</i> , 84 C. L. 1.....	872
Southwestern Bell Telephone Co.:	
<i>In re</i> Rate Increase. 76 C. L. 771.....	1079-1080, 1422
<i>In re</i> Rate Increase at Aurora, 84 C. L. 177.....	442-444
<i>In re</i> Rate Increase at Lancaster, 82 C. L. 1379.....	184
<i>In re</i> Suspension of Toll Rates, 87 C. L. 1007.....	1333
Southwestern Bell Telephone Co., Caruthersville & Kennett Electric Light & Power Co. <i>v.</i> , 67 C. L. 81; P. U. R. 1917-C, 1012.....	1136
Southwestern Telegraph & Telephone Co., Hannibal Trust Co. <i>et al.</i> <i>v.</i> , 51 C. L. 878; 3 Mo. P. S. C. 451.....	1342
Southwestern Telegraph & Telephone Co., Knott <i>et al.</i> <i>v.</i> , 46 C. L. 1186; 2 Mo. P. S. C. 531.....	1324-1325, 1342-1343
Southwestern Bell Telephone Co., State <i>ex rel.</i> S. P. Freeling, Attorney General <i>v.</i> :	
87 C. L. 1079.....	1405, 1413
88 C. L. 1405.....	1702
Star Telephone Co. and Texas Prairie Tel. Co. <i>v.</i> Oak Grove Home Tel. Co., 60 C. L. 1438; 4 Mo. P. S. C. 531.....	191
State <i>ex rel.</i> S. P. Freeling, Attorney General <i>v.</i> Southwestern Bell Tel. Co.:	
87 C. L. 1079.....	1405, 1413
88 C. L. 1405.....	1702
State Agricultural and Industrial School <i>v.</i> New York Tel. Co., 35 C. L. 110.....	1680
Stein <i>v.</i> Chicago Tel. Co., 81 C. L. 827.....	87
Sutherland-Fairview Telephone Co., <i>In re</i> Rate Increase, 78 C. L. 1531	675

xiv

Digitized by Google

	PAGE
Westford Telephone Co., <i>In re</i> Rate Increase at Hub City, 86 C. L. 833	838
Westmoreland Water Co., Greensburg v., P. U. R. 1917-D, 478....	393
White & Co. v. Western Union Tel. Co., 42 C. L. 1; 33 I. C. C. 500..	127
White Mountain Telephone & Telegraph Co., <i>In re</i> Rate Increase, 81 C. L. 1007; 6 N. H. P. S. C. Rep. 493.....	1677
Whitley County Telephone Co. v. Farmers Mutual Tel. Co.:	
46 C. L. 1140.....	393
Modified Order, 53 C. L. 1252.....	393
Williamsville Telephone Co., Sangamon Valley Tel. Co. and Williamsville & Sherman Tel. Co., <i>In re</i> Purchase of Property, Stock Issue and Certificate of Exigency, 60 C. L. 1404.....	58
Windsor, City of, v. Bell Tel. Co. of Canada, Ltd., 76 C. L. 889....	512
Winnepesaukee Telephone Co., <i>In re</i> Rate Increase, 81 C. L. 1005; 6 N. H. P. S. C. Rep. 494.....	1677
Wyoming & Nebraska Telephone Co., <i>In re</i> Rate Increase, 86 C. L. 730	1357-1358

ALABAMA.

Public Service Commission.

**CITY OF BIRMINGHAM v. SOUTHERN BELL TELEPHONE AND
TELEGRAPH CO.**

Docket No. 967.

Decided October 22, 1918.

**Complaint as to Rates Dismissed — Going Concern Value Allowed — 5.5
Per Cent. Fixed as Reserve for Depreciation — $4\frac{1}{2}$ Per Cent. Pay-
ment Approved — Fair Rate of Return Considered — City
Limits Approved as Boundary Lines of Exchange
Area — Rates for Extension Sets Considered
Unreasonable — No Order Made as to
Exchange Area or Rate for Exten-
sion Sets Because of Fed-
eral Control.**

Complainant alleged that the rates of Southern Bell Telephone and Telegraph Company were excessive, and that certain of its practices were discriminatory. The Commission found that the value of the company's property as a going concern was \$2,400,000.

Held: That the value of the company as a going concern should be allowed, as it is obvious that a going concern has a value over and above that of its inventory value. Eliminating any decisions on the subject by the courts, and looking at the matter purely as a business proposition, it is perfectly clear that any one who desired to purchase a telephone plant would give more for a plant that was a going concern with an attached business and developed earning power and an efficient organization, than he would give for the mere physical property, without a subscriber, without an organization, and not earning any money;

That 5.5 per cent. should be allowed as a reserve for depreciation, the Commission taking cognizance that in the contract recently entered into between the Federal Government and the respondent company an amount equal to 5.72 per cent. of the book value of the property was accepted as a reasonable and adequate depreciation reserve percentage. The company not only may justly set aside out of its earnings an amount sufficient to provide a reserve for depreciation, which will adequately protect its capital against impairment, but such a reserve must be provided before there is any revenue which may properly be called net earnings. No possible benefit can accrue to the public through the lack of the

establishment of an adequate percentage for a depreciation reserve, as the ability of a public utility to promptly substitute efficient and approved apparatus for that which is worn out and inadequate will affect its ability to give good service, and ultimately even its solvency;

That the $4\frac{1}{2}$ per cent. payment to American Telephone and Telegraph Company should be approved, as it is plain that it is absolutely necessary for the respondent to keep in touch at all times with all improvements in the telephone arts and sciences, and whether it does this through a contract with the Bell company, or through its own efforts, the Commission is not concerned. The question with which the Commission is concerned is whether these services are procured at a reasonable sum. Much of this service could not be obtained in any other way except in a central organization. It would be impossible to render to everyone all of the patented inventions which so largely make up the improvements in the art of telephony, if each telephone company attempted to organize a general staff, since each company would absolutely retain its own inventions. Moreover, the expense of such organization would be prohibitive unless it were distributed over a large system. That this contract is also a desirable contract from the standpoint of the Bell company does not affect the situation whatsoever. In reaching its conclusion the Commission takes note of the fact that this $4\frac{1}{2}$ per cent. payment was approved in the contract entered into between the Federal Government and the company;

That the present rates have not produced an unreasonable income from the investment, as the earnings of the company for 1916 have been less than 3 per cent. per annum, while the legal rate of interest within the State is 8 per cent., and the strongest institutions are unable to secure money in normal times for less than 5 per cent. and 6 per cent. Therefore, present rates are considered reasonable, and complaint should be dismissed;

That all persons receiving the same class of service, whose stations are located within the city limits, should pay the same rate for exchange service, although the zone method of fixing rates has been approved by other Commissions;

That the present rate for extension sets is too high and should be revised;

That no order should be made relative to the zone system of fixing rates and the rate for extension sets at the present time on account of conditions now existing, and as the company, as a war measure, is under Federal control.

GAILLARD, *Associate Commissioner*, concurred in the result, but dissented from the conclusions of the majority as to taking into consideration the operations of the company as a whole, the $4\frac{1}{2}$ per cent. payment, the value on which the company was entitled to a return, the proper rate for reserve for depreciation, the zone system of rates, and the rate for extensions.

OPINION AND ORDER.

In this cause the petitioner, the city of Birmingham, complains of excessive rates and discriminatory practices of the Southern Bell Telephone and Telegraph Company, and petitions for reasonable rates, and the removal of discriminatory practices, as obtaining in the city of Birmingham, Alabama.

It is obviously necessary for the Commission first to ascertain the value of the company's telephone property in Birmingham; second, to ascertain the net income derived therefrom; and third, to determine whether or not the present rates yield to the respondent company more than a reasonable income upon its investment.

VALUATION.

In connection with the testimony that has been introduced bearing upon the question of valuation of the company's telephone property in Birmingham there is but one factor as to which there is any substantial dispute, namely, the extent to which the value of the property has been affected by depreciation. From a practical business point of view, the dispute is more technical than real. While it might be difficult for the ordinary man to give the precise definition of the word depreciation, its meaning, as it is ordinarily used, is very well understood, and agrees with the technical definitions which are given in the dictionary. It means a lessening in value, which may be due to one of a great many causes, a few of which are, use, wear and tear, storms and obsolescence.

As the Commission understands it, the material fact for it to understand here is what has been the actual lessening in the value of this property, from whatever cause, as compared with the new property of the same character. The testimony of the witness for the respondent company, based upon detailed inspection of the property, involved a critical examination thereof by a large force of men employed in the work for several weeks. The men used, as the testimony shows, were qualified for this work. All of their

practical business experience has been in connection with properties of this character, and they were familiar with this particular property.

The testimony offered in behalf of the city was not testimony as to the condition of the property, with the single exception of the testimony of Mr. Kelsey; what the other witnesses of the city testified to as to depreciation was, as a matter of fact, not an actual lessening of the value of this property, which is what depreciation in value is, but was a theoretical factor based not upon an examination of the property, and not upon any general or extended or practical experience with reference to this or other telephone properties, but largely upon a theory as to the age of the property, and as to what its probable life would be. In other words, what these witnesses apparently were dealing with was a hypothetical thing, a theoretical proposition, which is something entirely different from the actual fact of depreciation, which was the subject of the testimony as introduced by the witnesses of the respondent company. Therefore, as we have already said, the difference between these witnesses was that they were testifying about different things; one class of the witnesses testifying to the actual condition of the property, and the other class, with the exception of Mr. Kelsey, testifying about a theory as to what the condition of the property ought to be.

ACTUAL CONDITION.

What this Commission is concerned with is the actual condition of the property. As to that, the witnesses for the company and Mr. Kelsey, the only witness for the city who testified on that subject, are in accord. They all agree that the measure of the actual depreciation in the condition of the property is the sum of \$207,000. This conclusion, which is supported by the uncontradicted evidence upon this question, the Commission must accept.

We believe that we are not in error in saying that the courts in cases of this kind have laid down the rule that value is not something that may be computed by some

C. L. 84]

arithmetical process, but is the result of sound and intelligent judgment applied to all of the material facts; and this is the every day experience of every man who is engaged in buying and selling. The duty of the Commission in this case is to apply [to] all of the testimony that has been introduced upon this question of value, its common-sense and business experience, and, weighing all of the factors, to determine what in its judgment is a fair value to put upon this property, having in view justice to the public and to the company.

It is the conclusion of the Commission that the value of the company's property used and useful in the rendition of its service in its Birmingham exchange, is not less than \$2,400,000 as a going concern. It is obvious to the Commission, and we believe that the courts have held, that a going concern has a value over and above that of its inventory value. Eliminating, however, any decisions on the subject by the courts, and looking at the matter purely as a business proposition, it is perfectly clear that any one who desired to purchase a telephone plant would give more for a plant that was a going concern with an attached business, and developed earning power, and an efficient organization, than he would give for the mere physical property without a subscriber, without an organization and without any earning of money. It is worth more.

NET INCOME.

The Commission accepts as correct the gross revenue of the company as presented by it.

To enable the Commission to ascertain the correct net revenue of the company it is necessary, of course, to establish the proper amount chargeable to operating expenses.

OPERATING EXPENSES.

There were only two items included in the company's operating expenses which were attacked by the city; those items being the amount to be set aside annually to create a depreciation reserve fund, and the 4½ per cent. paid to the

American Telephone and Telegraph Company under its license contract.

Both of the company's witnesses, Mr. Yundt and Mr. Erickson, and the city's witness, Mr. W. S. Bemis, adopted the same plan in order to determine the amount to be set aside to be annually added in[to] the depreciation reserve fund, so that the issue on this point is solely one of amount.

The benefits accruing under the license contract were not denied, but the petitioner took the position that the services should be rendered by the American company at cost, while the company took the position that if the evidence showed that the contract was reasonable, and that the respondent company received full value for its expenditures, that said contract should be sustained.

DEPRECIATION.

The Commission holds that the respondent company not only may justly set aside out of its earnings an amount sufficient to provide a reserve for depreciation which will adequately protect its capital against impairment, but, further, that such a reserve must be provided before there is any revenue which may properly be called net earnings. This proposition is not controverted, but there is a controversy between the parties as to the amount which should be set aside in each year, the witnesses for the company contending that this amount should be 5.75 per cent. of the cost of depreciable property, while the testimony of the petitioner's witnesses contended for a lesser amount.

In the testimony of both the company and the city the determining factor which fixes this percentage was the anticipated useful life of the property, that is, the length of time which would elapse after an item of property, such as a pole or switchboard, was put into service, before it would be necessary to retire it and replace it. The only difference in the testimony grew out of difference as to this factor.

In behalf of the respondent company, Mr. Yundt, the company's chief engineer, testified fully upon this question.

C. L. 84]

His entire engineering experience has been in connection with properties of this character. He had available for his use the results of the entire engineering experience of the Bell System as to such property, and practically all of the properties that are in question had been constructed under his direction as chief engineer of the company, and he intimately knew the property and the business.

The testimony of Mr. Yundt was confirmed by the testimony of Mr. Erickson, who had less personal knowledge of the specific property here in question, but who had a broad experience with like properties and with the determining of like questions while a member of the Wisconsin Railroad Commission and, thereafter, as a consulting engineer. This witness of the respondent company places the property depreciation figures at 6.1 per cent.

The only testimony on which the city relies in opposition to these witnesses is that of Mr. W. S. Bemis. His testimony shows that he graduated from college in 1915 and necessarily his practical engineering experience is limited. Further, the testimony shows that he was not acquainted with this particular property. Under all of the circumstances, the Commission doesn't feel that it would be justified in accepting his testimony in contradiction to that of Messrs. Yundt and Erickson.

In connection with the depreciation reserve, it is proper for this Commission to bear in mind that no possible benefit can accrue to the public through the establishment of an inadequate percentage for a depreciation reserve. The ability of a public utility to promptly substitute efficient and approved apparatus for that which is worn out and inadequate, and, therefore, its ability to give good service, and ultimately even its solvency, are dependent upon an adequate depreciation reserve.

Taking into consideration carefully all of the testimony on this subject, the Commission has reached the conclusion that a proper depreciation charge for the respondent company as it relates to its Birmingham property would be that of 5.5 per cent. The Commission might say in this

connection that recently in a contract entered into between the Federal Government, through its Postmaster General and the respondent company, that an amount equal to 5.72 per cent. for depreciation of the book value of the property of the respondent company is accepted as a reasonable and adequate depreciation reserve percentage.

THE LICENSE CONTRACT OF 4½ PER CENT.

The respondent company is operating under a license contract originally granted by the American Bell Telephone Company under which this company receives (1) the telephone instruments, transmitters and receivers used by it in its telephone system, with the surplus supplies to cover emergencies, and the right to have the instruments replaced as they become out of repair or as improved instruments are developed; (2) the right to use all patented appliances which are involved in the transaction of its business, with all of the improvements that are made upon them from time to time, the existing patents at the time of this hearing being some 2,000 in number; (3) consulting engineering service covering all matters of plant and operation furnished by the general staff of the American Telephone and Telegraph Company, which saves the respondent company any engineering expenses, except that pertaining to the direct work of operation and construction; (4) general accounting services of like character; (5) general legal services of like character; (6) financial assistance to enable the company to secure, at low rates, the new money that is constantly required in order to provide for the additions to its plant, which necessarily must be made in maintaining its service, and meeting its public requirements; (7) general administrative service and advice.

It might be well to state that when this contract was originally entered into that not an item of equipment or apparatus that is in use to-day, and is standard to-day, was known or was available for use, except the possible use of elementary things like poles, cross-arms and insulators.

C. L. 84]

The development of the general staff of the American Telephone and Telegraph Company has so grown, and its functions so broadened, that at the present time it renders available to the respondent company the entire telephone experience of the world, with everything that is of general value in the telephone art and sciences, whether covered by patents or not. It is plain to the Commission that it is absolutely necessary for the respondent company to keep in touch at all times with all improvements in the telephone arts and sciences, and whether it does this through contract with the American Telephone and Telegraph Company, or through its own efforts, the Commission is not concerned. The question with which the Commission is concerned is whether or not the respondent company secures these services for a reasonable sum; whether a reasonably practical man in operating the respondent's plant would incur this expense.

The Commission is naturally interested as to whether the respondent company could get this service cheaper in some other way, either by furnishing it itself, or by some other source. It is obvious that much of this service could not be obtained any other way except in a central organization. It would be impossible to render to every one all of the patented inventions which so largely make up the improvements in the arts of telephony. If each telephone company attempted to organize a general staff, it appears to the Commission that each company would absolutely retain its own inventions, and no company could acquire the right to use everything that will aid in the most efficient and economical service. Moreover, the expense of such organization, it occurs to the Commission, would be prohibitive, unless it were distributed over a large system.

It is probably proper for the Commission to go further as to the value of this service to the respondent company, and in doing so, recalls that the testimony of respondent company showed considerable amounts in the savings in the construction work, both throughout the State and Birmingham proper.

The fact, if it be a fact, that this arrangement or contract is also a desirable contract from the standpoint of the American Telephone and Telegraph Company does not, to the mind of this Commission, affect the situation whatsoever. This is ordinarily true, of course, of all such contracts. If, for instance, the respondent company rented its instruments from some one else, the person who rented them to the company would expect a profit, and would certainly be entitled to one. Sound business transactions benefit all parties to them.

The Commission will further add in this connection, that in a contract recently entered into between the Federal Government, through Postmaster General (Mr. Burleson) and the respondent company, that the 4½ per cent. contract herein involved was approved.

THE FAIR RETURN ON THE INVESTMENT.

After having reached the conclusion that it has relative to a fair value of the respondent company's property being used in its Birmingham exchange, and after reaching the conclusion that it has relative to the proper amount of depreciation, and, further, having reached the conclusion as to the reasonableness of the 4½ per cent. contract charge, it is obvious to the Commission that the present rates of the respondent company have not produced an unreasonable income upon the investment; the facts being that for the year 1916, based upon these conclusions of the Commission, the earnings of the respondent company have been less than 3 per cent. per annum upon its investment in the Birmingham exchange, while the legal rate of interest within this State is 8 per cent., and while the strongest institutions are unable to secure money in normal times for less than 5 and 6 per cent.

THE ZONE SYSTEM.

While this method of fixing rates probably has its place, and it has been approved by other commissions, this Commission is of the opinion that a schedule of rates should

C. L. 84]

be adopted under which all persons receiving the same class of service, whose stations are located within the city limits of Birmingham, should pay the same rate for exchange service. The Commission is further of the opinion that the rate now charged for extension sets, namely, \$1.50 per month, is too high and should be revised.

The Commission will not make an order, however, relative to this zone system and extension service at the present time, on account of the conditions now existing, the respondent company being operated at the present time, as a war measure, by the government.

Upon consideration of the record in this case, with all of the facts and arguments submitted at the various hearings thereon, and the foregoing finding of facts and opinion by the Commission and its conclusions therein with respect to the issues involved, this cause is dismissed, and the petition denied, and,

It is so ordered.

October 22, 1918.

CONCURRING OPINION.*

GAILLARD, *Associate Commissioner*:

We are not called upon to decide where the burden of proof lies in this cause. Petitioner charges that rates in effect are unreasonable and practices are discriminatory, while the utility company denies the charges. Under this state of the case, it is made the duty of the Commission, in the light of all the evidence before it, as presented by both parties or obtained by it independently of either, to ascertain what are reasonable rates for telephone service in Birmingham and make them effective, and what practices of the telephone company are illegal, unjust or discriminatory, and abate them. In doing this, the Commission will give such weight to the testimony of each witness to each

* Concurring in the result, but dissenting from the opinion of the majority on many points.

phase of the question involved and to all other pertinent evidence before it, as it thinks proper.

THE WORLD AS THE UNIT.

The Commission cannot accept as a whole the contention on the part of the Southern Bell Telephone and Telegraph Company that its system as a whole must be taken as a unit, or that its entire Alabama operations should be so taken. The theory is extreme and dangerous. It is true that some additional benefit is conferred on local patrons by the long distance service opened up to them by connections with other cities, and this fact may be taken into consideration in estimating the value of the service; but the long distance benefits are not sufficient to weld the operations of the entire district served by the Bell company into one unit, when considering rates at a given point. It, in fact, constitutes a relatively small proportion of the benefits sought or conferred, as is evidenced by the number of long distance calls as compared with local calls and by receipts from the two sources.

Defendant's operations in Alabama have no relation to State lines, but do have primary relation to the local units, all of which are summed up in its entire system covering five states. The State cannot, therefore, be taken as a basis for our examination in this case, and the impropriety of taking it as the basis is none the less because the Commission's jurisdiction over such operation is circumscribed by State lines.

There is before this Commission no complaint as to the service, rates or practices, at other cities in Alabama, Georgia, Florida, North and South Carolina, constituting Southern Bell territory, but only against those at Birmingham, Alabama.

The question for consideration is: What capital (*i. e.*, value of property in use) has respondent invested at Birmingham (and its apportionment of toll lines), what return are they entitled to on that capital, and what rate

C. L. 84]

is necessary to give it that return. If the operations of this company at every other point in the State served by it must be examined into, then no city would dare face the burden of such a task and no commission, state or national, would be equal to the task so far as it might benefit the people originating it. Nothing short of such examination into the operations at each unit, as well as of its joint long distance operations, would suffice. It is the duty of the Southern Bell Telephone and Telegraph Company to keep such records and accounts of its operations at each city as will enable public service commissions to analyze them and come to right conclusions as to their rates and practices in each city.

It is due the respondent to say that for many years past its accounts seem to have been kept in the most approved method and the company has facilitated the examination of its books by accountants in this cause in every way possible. It has also prepared and submitted to the Commission an inventory complete in every detail and assembled in a most commendable manner.

The Bell company accentuates the extreme view thus presented by showing that the Southern Bell company is but a part of the greater unit, the Bell System, the ultimate purpose of the company being to furnish a universal service, enabling any two people wherever located to have telephone communication one with the other. Such a system might be above reproach as to rates and charges at New York, a cut-throat for business at Mexico City, a Shylock for the golden ducats of Venice, and, utterly inefficient and wasteful at Birmingham, and laugh at "investigations" everywhere. The Commission will, therefore, endeavor to ascertain conditions as they are at Birmingham, giving considerations to operations at or with other points of the Southern Bell System, or of the universal telephone system, only in so far as they pertinently affect those conditions. This course is in harmony with the views of the Oklahoma Supreme Court, as given in respondent's brief, from which we quote

part of its opinion in the case of the *Pioneer Telephone and Telegraph Company v. State*, 167 Pacific 997, as follows:

" * * * The rule, as applicable to telephone companies, is frequently found stated somewhat as follows: In order that local exchange rates may be reasonably adjusted, it is desirable that as far as possible they shall not be entangled with the cost of the long distance service, and, therefore, the valuation of the toll plant should be separated from the valuation of the exchange plant as far as practicable. * * * We, therefore, conclude that where, as in the case at bar, it is charged that the exchange rates of a single municipality are unreasonable, the Corporation Commission in finding a basis for the adjustment of such rate should, as far as practicable, separate the valuation of the toll plant from the value of the exchange plant and equitably apportion between them the value of the property used in common in giving both classes of service."

Having contended earnestly for the doctrine of unity of service, investment and rates, throughout the Southern Bell System, counsel for respondent then as earnestly contends that our examination should and must be confined to the artificial bounds of the State, as the Federal courts have made it clear that

"the State of Alabama through this Commission can only consider that part of the business of the company whose rates are subject to regulation which lies within the State of Alabama, and that the earnings of the same company gained through the operation of its property in other states cannot be taken into consideration."

This by way of calling checkmate to this Commission,

It may be freely conceded that this Commission has no jurisdiction over the rates or earnings of respondent in other states, and none in this case over those of the American Telephone and Telegraph Company, whose automaton respondent is, but I am clearly of the opinion that this Commission has the right — as it is its duty — to consider as evidence bearing on the issues involved facts before it relating to respondent's reserve fund for depreciation, maintained by it as one fund for its entire system, so far as it originated at Birmingham, and its growth or depletion, the value of instruments rented to respondents by the American Telephone and Telegraph Company, for which

C. L. 84]

the latter exacts, or did exact, $4\frac{1}{2}$ per cent. of the gross revenues of respondent, the value of service rendered to the respondent by the American Telephone and Telegraph Company, and the circumstances under which they are rendered, and all other facts pertinent to the issues.

I cannot acquiesce in the doctrine that this Commission is without power to prevent, but must sit supinely by while — mayhap — as it is charged in this case, the respondent in its Birmingham operations is bled white by the American Telephone and Telegraph Company through the medium of a dictated fixed charge of $4\frac{1}{2}$ per cent. on its total gross earnings for rental of telephone instruments, with the subsequent claim that it also covered compensation for subsequent voluntary but compulsory services by the general staff of the American Telephone and Telegraph Company, and by an arbitrary division by the American Telephone and Telegraph Company of toll earnings originated and handled by respondent.

These practices are not based upon contracts made by two public utilities dealing at arm's length, but are imposed upon the creature corporation by its owning stockholder. Under them, if in fact they are unfair, it cannot be expected that the Southern Bell company, either as a system, or by the units of states, or in the operation of its plant at Birmingham, will ever show an adequate return on its investment, but would ever be kept in the position of the two daughters of the horse leech ever crying "give, give," if the American Telephone and Telegraph Company so desired.

Indeed, what would it matter to creator or created whether the former gets all the earnings through the medium of commissions exacted or dividends declared?

Assume that these fixed charges and divisions are either improvident or fraudulent: When this Commission endeavors to ascertain the net earnings of this utility, it is its duty to scan its disbursements, no matter to whom, as well as its receipts, not for the purpose of compelling restitution, but to see whether it has not exacted of the

public more than a sufficient return, if providently expended upon its capital invested; and this Commission entertains no doubt as to its power — or duty — to consider such facts and reach such conclusions upon the questions involved as all the evidence may warrant. This it can do without obtaining jurisdiction over the corporation to whom such sums were paid.

The evidence before us tends to show that the Western Electric Company, another subsidiary of the American Telephone and Telegraph Company, is rendered the same service by the general staff of the American Telephone and Telegraph Company, as it renders the respondent, but it is not required to pay $4\frac{1}{2}$ per cent. of its gross earnings to its controlling corporation. The Western Electric Company is not a public utility company and the public are not interested in its profits. It sells its manufactured electric and telephone supplies to the general public.

This contract, direct or implied, should be closely scrutinized by courts and commissions, because of the relation of the corporations, and so far as its terms, actual or implied, are hurtful to the public, should be disregarded.

I do not consider the arrangement fraudulent, and it may not have been considered unfair when given the form of $4\frac{1}{2}$ per cent. of total gross earnings; but it will be noted that the American Telephone and Telegraph Company, through its general staff, rendered the Southern Bell company the same varied services prior to November 22, 1902, as subsequent to that date, and made no charge therefor other than the rental for instruments.

I am of the opinion that these services are of value to the Southern Bell company and through it to its patrons; but the benefits claimed by this respondent to have been received by it are exaggerated and fanciful. They consist of improvements in every branch of the art of telephony, and of local business methods which it claims to have been invented, improved or inaugurated by its parent company and passed on to it for its special benefit, notwithstanding the fact that all telephone companies partake of the bene-

C. L. 84]

fits of practically all these improvements without expense to them.

Counsel for respondent in his brief says that about 50 per cent. only of telephone service is rendered in the United States by the American Telephone and Telegraph Company and its subsidiary companies; and we have, therefore, 50 per cent. of the business conducted by other general staffs who are engaged in the improvement of the art in all its branches and business methods, or obtain gratuitously from the general staff of the American Telephone and Telegraph Company, the improvements inaugurated by it.

In considering the propriety and amount of the 4½ per cent. required for rent and services by the American Telephone and Telegraph Company it was made clear by the testimony and the bearing of the officers themselves, that respondent has a capable, efficient and well paid corps of officers who, in their respective departments, will compare favorably with those of the general staff of the American Telephone and Telegraph Company. To the extent that they are able to perform the duties of their respective offices, no allowance should be made for their duplication by the American Telephone and Telegraph Company; but it seems only fair to me to allow the latter company a reasonable compensation for services actually rendered by it which the respondent's staff could not render and which are valuable to respondent, on the basis of *quantum meruit*, but not of contract.

These corporations made the instruments rented the basis of compensation in the first instance, and I use the same basis in endeavoring to allow a *quantum meruit* in excess of the rental originally charged.

In the light of all the evidence before me, I think the testimony of Mr. Bemis in allowing the sum of 70 cents per instrument, would be reasonable.

CAPITAL INVESTED.

I have given most careful consideration to the briefs and authorities cited by counsel for both parties to this cause

as to the best method of ascertaining the amount of capital invested or value of plant upon which the company is to-day entitled to a return. In following the evidence pro and con, I seem to find myself resting on the firm foundation only when I accept the reasonable common-sense principle so clearly enunciated by Mr. Halvord Erickson, a witness in this case in behalf of respondent, as follows:

"The original cost is the most equitable valuation for rate-making purposes. This original cost, with the abnormal and irrelevant items eliminated or readjusted, should represent very closely the legitimate, necessary and, therefore, equitable cost of the physical plant."

Mr. Erickson was thus speaking as a member of the Wisconsin Railroad Commission, in the case of *Hill et al. v. Antigo Water Company*, 3 Wis. R. R. Com., page 623. Other methods may properly be resorted to when used in connection with the above.

It is true that Mr. Erickson, the witness, did not seem to be Mr. Erickson, the judge, but he is one and the same, and not really in conflict with himself. As a witness, he is not seeking to find value according to what he considered the most equitable method, but is being examined on inventories submitted to him and asked as to the cost of reproducing such property as of July 1, 1916, and also such reproduction cost less the then existing depreciation.

By way of check and comparison I find Mr. Jagoe's conscientious inventory and appraisalment of the plant, coupled with his estimate of what, in his opinion, would enable him to bring respondent's plant up to 100 per cent., especially helpful and trustworthy, although I have studied the testimony of the other witnesses on this subject.

(a) *Peoples Telephone Company*. In ascertaining what capital is invested in the Birmingham plant, the entire outlay for the plant of the Peoples Telephone Company should be eliminated, excepting only so much as was realized from sale of material or material actually usable as used by the Bell company. Its charter had been forfeited, its franchise had ceased to exist, its real property and conduits not required and never used. Its purchase was improvident

C. L. 84]

and the patrons of the company should not be taxed for its payment.

(b) *Cost of organization, attaching business, going concern.* I cannot see upon what basis the supposed expenses of organization, attaching business, etc., can be capitalized. They are sought to be sustained by calculations of what might or should be expended to reproduce them. To the extent that they were expended, the evidence including the company's books, tends to show that they were paid out of operating revenues. If they had been paid for out of moneys derived from the sale of stocks or bonds, such expenditures would be represented in capital account by the proceeds of such stocks or bonds.

"That there is an element of value in an assembled and established plant, doing business and earning money, over one not thus advanced, is self evident."

Plants are not built to lie idle, and they are not self operating, and when none of the capital subscribed and none of the energies of the working organization representing part of that capital have been used to get customers for the output of the plant, the latter is worth less than the capital invested. But where part of the capital has been spent in the creation of a working organization, and that organization has been maintained out of operating revenues derived from business built up by that organization, it cannot be said that the stockholders are entitled to returns in excess of their capital so invested. The organization so created and maintained by capital originally invested and operating revenues, by obtaining customers for the output, has given life to the dead plant and prevented a depreciation of the investment.

"Going value or going concern value, i. e., the value which inheres in a plant where its business is established, is distinguished from one which has yet to establish its business."

But I cannot see in this principle any justification for swelling the value of the plant upon which the public may be required to yield a return by the addition thereto of an

amount equal to what it would now cost to again build up an organization and obtain business equal to that already existing, all of which has already been paid for out of the original investment or out of revenues derived from the public.

(c) *Material and supplies on hand and working capital* either represent that part of the original capital set apart for use as needed and replenished from earnings, or they are part of the operating revenues held in suspense awaiting use, and in either event, the company is not entitled to have such items twice considered, in ascertaining a fair return on their investment. They do not represent additional capital put into the business.

(d) *Franchises.* I cannot discover any equitable ground for capitalizing the free gift by the State of rights-of-way over streets and roads, or even considering them in seeking a just valuation of its plant for rate-making purposes; nor has respondent discovered sufficient merit in its contention to induce it to discover a basis for valuation of such franchises.

DEPRECIATION.

Depreciation is the constant deterioration of a plant which is not made good by ordinary repairs and replacements. Careful inspection by experts may approximate it, but the correctness of their conclusions are unprovable. No plant is constructed with such a nicety of adjustment in all its parts (as was the one horse shay of fiction), that the entire plant and every separate unit thereof will give way at the same instant, and it is a matter of common observation that units, apparently identical, have varied lives beyond human capacity to measure with exactness. It can only be estimated in the light of experience, and such estimate should be used as a guide until time demonstrates its correctness. Should reserves for depreciation accumulate to an amount equal to or greater than the capital invested, it would not require an expert to find that the percentage set apart for depreciation was too great. The extent of accrued depreciation in a plant depends largely upon the amount spent annually upon repairs and replacements. As

C. L. 84]

I understand the evidence presented by respondent, the physical condition of its plant at the time of the hearing was placed at 90 per cent. The witness, Kelsey, considered it 100 per cent. good. Kelsey also testified that respondent's books show an annual expenditure for maintenance, reconstruction, and removal of telephones, per station, (numbering 14,936 in 1915) as follows:

1906.....	\$11 40
1907.....	10 89
1908.....	10 80
1909.....	10 50
1910.....	10 20
1911.....	10 47
1912.....	* 10 28
1913.....	10 50
1914.....	10 09
1915.....	9 27
1916.....	9 20
<hr/>	
Average for 11 years.....	\$10 33

The station basis of calculating depreciation does not appeal to me, but on this point it is the total expenditures made for this purpose that I have in mind.

This would tend to show that an annual reserve of much less than 5 per cent. would have been sufficient to maintain the plant at 100 per cent., and that the plant after a life of thirty-five years had reached its stride, and required less reserve for depreciation than is set aside by the company.

The following tabulation, showing amounts reserved for depreciation and amounts expended, also indicates that the percentage reserved for depreciation is too great, figures being from Kelsey's testimony:

	<i>Reserved</i>	<i>Expended</i>
1913	\$111,444 44	\$76,714 28
1914	122,235 75	51,704 18
1915	148,858 57	66,717 50
1916	154,793 85	38,336 86
First ½: 1917	83,865 76	20,357 56
<hr/>		<hr/>
	*\$631,198 38	\$253,830 38

* An error is apparent.

In other words, while the plant has been kept up in a high state of preservation, the reserve for depreciation has accumulated to the extent of \$377,368.

The witness Sangster (Exhibit F) shows the total reserve for accrued depreciation, as applied to Birmingham for nine and a half years, ending June 30, 1917, was \$786,512.86, of which there had been expended \$479,182.81, leaving an unexpended reserve for depreciation of \$307,330.05. Petitioner contends that certain sums expended for dismantling the Peoples Home plant were charged to reserve for depreciation, but improperly so; and that these amounts should be treated as unexpended, making the net proper expenditures \$462,758.18, and leaving an unexpended balance of \$323,754.68 in reserve.

It seems to me that an annual reserve for depreciation, of say \$80,000, for such time as reports to the Commission would indicate an accumulation of not less than 20 per cent. of the value of the Birmingham plant, would be sufficient.

The zone system in the corporate limit is arbitrary and discriminatory. The company accepted the benefit of laws, authorizing it to furnish all the inhabitants of the entire city with telephone service. The company locates its exchanges where it wills, and thus, under the zone system, those nearest the exchange are given a benefit not contemplated when the charter was granted. The franchise was given as a whole, and I think the service should be on the same basis without discrimination, and this can only be done by the abolition of the zone system within the corporate limits. *Birmingham Water Company v. Brown*, 191 Ala.

EXTENSION TELEPHONES.

I do not think there is a proper basis for charging \$1.50 per month for each extension telephone. Apart from the added cost of the extension and its installation, it results in capitalizing the convenience of the customer without appreciable addition to the service actually rendered by the

C. L. 84]

company; a charge of not exceeding 75 cents per month has been held reasonable in a number of states, and I think the same should be allowed in Birmingham.

In so far as the foregoing views differ from the majority of the Commission, I dissent therefrom. However, as the evidence appears to me, the Southern Bell Telephone and Telegraph Company's net revenues from its Birmingham plant are not shown to be in excess of $6\frac{1}{2}$ per cent. on its Birmingham plant at the time of the hearing; and under conditions discovered by the evidence, I do not think the Commission would be justified in a present reduction in rates.

October 22, 1918.

CALIFORNIA.

Railroad Commission.

In re RULES GOVERNING CONSTRUCTION AND OPERATION OF POWER AND COMMUNICATION LINES FOR THE PREVENTION OR MITIGATION OF INDUCTIVE INTERFERENCE.

General Order No. 52.

Decided July 3, 1918.

Rules for Construction and Operation of Power and Communication Lines, for Prevention or Mitigation of Inductive Interference, Prescribed.

It is hereby ordered, That the following rules to govern the construction and operation of power and communication lines, subject to the jurisdiction of this Commission, in so far as that construction or operation applies to the prevention or mitigation of inductive interference, as herein-after stated, be adopted and effective August 1, 1918.

DEFINITIONS.

Certain technical terms are employed herein in the senses set forth in the following definitions:

1. *Class H Power Circuit* means any overhead open-wire constant-potential alternating-current power transmission or distribution circuit or electrically connected network which has 5,000 volts or more between any two conductors or 2,900 volts or more between any conductor and ground; except railway trolley circuits and feeders electrically connected therewith.

2. *Electrically Connected* means connected by a conducting path or through a condenser, as distinguished from connection merely through magnetic induction.

3. *Signal Circuit* means any telephone, telegraph, messenger call, clock, fire, police alarm or other circuit of similar nature used exclusively for the transmission of signals or intelligence, which operates at less than 400 volts to ground, or 750 volts between any two points of the circuit, provided that if the voltage exceeds 150, the power transmitted shall not exceed 150 watts.

4. *Communication Circuit* means any overhead open-wire signal circuit, except that, if such circuit be a telephone circuit, it is limited to inter-

C. L. 84]

exchange metallic telephone circuits and to metallic telephone circuits operated by a railroad or other company for dispatching purposes, or for public use between separate communities.

5. *Line* means any circuit or aggregation of circuits carried on poles or towers, and includes the supporting elements.

6. *Parallel* means a condition where a Class H power circuit and a communication circuit follow substantially the same course or are otherwise in proximity for a sufficient distance so that the power circuit is liable to create inductive interference in the communication circuit.

With some parallels interference occurs only at times of abnormal conditions on the power circuit in which case such of these rules as affect induction only under normal operating conditions do not apply. When the application of any rule is thus restricted, the condition under which the rule applies is referred to as a "normal" parallel.

7. *Configuration* means the geometrical arrangement of a circuit or circuits, including the size of the wires, and their relative positions with respect to one another and earth.

8. *Transposition* denotes an interchange of position of the conductors of a circuit between successive lengths thereof.

9. *Discontinuity* means any abrupt change in the relative positions of a power and a communication circuit, or any abrupt change in configuration, line impedance or load along either such circuit (including such changes due to connected circuits, transformers, cables, loading coils or other apparatus) which materially affects the magnitude or phase of the induced voltages or currents per unit length or the capacitances of either circuit. Transpositions, however, are not considered to be discontinuities.

10. *Barrel* means an arrangement of a section of power circuit within which each conductor occupies each of the conductor positions for such distances as will result in a maximum degree of balance.

11. *Co-ordination* as applied to transposition systems means that the transpositions in power and communication circuits involved in a parallel are efficiently located, with respect to each other and to the discontinuities, for reducing the inductive effects on the communication circuits.

12. *Balanced and Residual Voltages*: The voltages to ground of the several wires of a power circuit are divided for convenience into two classes of components: balanced and residual.

The balanced voltages are those components which are equal in magnitude and have such phase relations that their algebraic sum is zero at every instant.

The remaining components of the voltages to ground, which exist under conditions other than perfect balance, are termed residual. They are equivalent to a single-phase voltage impressed between the power wires in multiple and ground. The sum of the residual components is termed the residual voltage of the circuit. In case of a three-phase circuit it is three times the equivalent single-phase voltage mentioned above.

Mathematically expressed, the residual voltage is the vector sum of the voltages to ground of the several wires of a power circuit, while the balanced voltages are those components whose vector sum is zero.

13. *Balanced and Residual Currents*: The currents in the several wires of a power circuit are divided for convenience into two classes of components: balanced and residual.

The balanced currents are those wholly confined to the wires of the circuit. Hence, their algebraic sum is zero at every instant.

The remaining components of the currents in the several wires, which exist under conditions other than perfect balance, are termed residual. The sum of the residual components is the residual current of the circuit. It is equivalent to a single-phase current in a circuit having the power wires in multiple as one side, and ground as the other.

Mathematically expressed, the residual current is the vector sum of the currents in the several power wires, while the balanced currents are those components whose vector sum is zero.

RULES.

I. GENERAL PROVISIONS.

a. Applicability of Rules.

These rules, except as otherwise provided in I (c), shall apply and be effective as follows:

(1) Rules limited to lines involved in a parallel, or to apparatus connected to such lines, shall apply only in case of conditions of inductive interference created hereafter; except that rules relating to the operation or maintenance shall apply to all such lines and apparatus, both existing and new.

(2) Rules not limited to lines involved in a parallel, or to apparatus connected to such lines, shall apply to new construction only, including, however, existing lines and apparatus when such are generally reconstructed or renewed.

b. Co-operation.

Any party contemplating new construction which may create a parallel shall confer with the other party or parties concerned and they shall co-operate with a view of avoiding the parallel, or, if this be impracticable, of minimizing the resulting interference. Failure to comply with this requirement will receive consideration by this Commission in any subsequent issue involving such construction.

C. L. 84]

c. Principle of Least Cost.

When there are two or more different practicable methods of avoiding or mitigating interference, the method which involves the least total cost shall in general be adopted irrespective of whether the necessary changes are made in the plant of the party creating the parallel or in the plant of the other party; provided, however, that preference shall be given to methods of avoiding a parallel over methods of mitigating interference; and provided, further, that as between different methods of mitigation having different degrees of effectiveness, the most effective method, the cost of which can be justified, shall be adopted. In estimating such costs, all factors of expense to both parties shall be taken into account.

d. Existing Parallels.

Parties operating power or communication lines shall exercise due diligence in applying measures, in general accordance with the principles of these rules, for mitigating inductive interference due to existing parallels. Any such parallels which now or hereafter cause excessive interference shall be attended to promptly.

When lines involved in existing parallels are added to, extended or generally reconstructed, or when additional apparatus is connected to such lines, or when apparatus now connected to such lines is renewed or rearranged, the new or changed plant shall thereafter conform to the provisions of these rules.

e. Saving Clause.

Any party desiring to make a departure from these rules regarding the operation or reconstruction of lines now existing or believing that these rules work an injustice or an undue hardship, may file a written petition with the Railroad Commission, whereupon the Commission will take such action as may seem to it proper.

The Commission reserves the right to modify any of the provisions of these rules in any specific case or otherwise, when, in the Commission's opinion, public interest would be the better served by so doing.

f. Information for Commission.

Parties operating or constructing power or communication lines, subject to the jurisdiction of this Commission, involved in or which may become involved in a parallel, shall file with the Railroad Commission, as the Commission may require, information appertaining to measures for the prevention or mitigation of inductive interference agreed upon between said parties.

II. LOCATION OF LINES.

a. Avoidance of Parallels.

Every reasonable effort shall be made to avoid creating parallels. If the parties concerned can agree upon a plan for providing an adequate separation of the two classes of lines so as to avoid interference, such plan shall be put into effect. In no case shall a parallel be created unless the cost of avoidance by separation is greater than the cost of the remedial measures required by these rules.

b. Notice of Intention.

The party proposing to build a new Class H power or a communication line which may create a parallel, or generally to reconstruct or change the operating conditions of an existing line involved in a parallel, shall give due notice (at least sixty days where practicable but in any event not less than twenty days in advance of construction, except for minor extensions, for which notice shall be given immediately after the work is authorized) of such intention to the other party and to the Railroad Commission, including full information as to the location within the parallel and such other features of the proposed line as would affect induction.

C. L. 84]

c. Distance Between Lines.

Class H power lines and communication lines shall be kept as far apart as practicable. Their separation should be at least equal to the height above ground of the power wires, except when closer proximity is unavoidable.

If, in any case of inductive interference, it should be found impracticable to obtain a proper degree of relief by means of the remedial measures set forth in these rules or by other measures of a remedial nature, the parties concerned shall agree upon and put into effect a plan for increasing the separation of the lines within the parallel.

To promote the effective application of transpositions, both parties shall endeavor to maintain a uniform separation of the two lines throughout each normal parallel. However, in general, when it is feasible to secure more than a 20 per cent. increase in separation, for a distance in excess of one mile, this shall be done.

d. Length of Parallels.

Parallels shall be made as short as practicable.

c. Discontinuities:

In the location, construction and general reconstruction of lines within normal parallels every reasonable effort shall be made to avoid discontinuities (except those due to increases in separation as provided for in *c* above) which would interfere with the application of effective and economical co-ordinated transposition systems in the power and communication lines.

In the location and construction of the first line along a public highway, special effort shall be made to avoid crossing the highway and also to avoid other features which would result in unnecessary discontinuities in the event of the construction of another line along the same highway.

III. DESIGN AND CONSTRUCTION OF LINES.

a. General Requirements.

The quality of material, workmanship, methods and grade of construction shall be in accordance with approved

modern practice with special regard to the prevention of failures and the avoidance of features, such, for example, as inferior insulation, which would tend to cause or promote inductive interference.

b. Arrangement and Spacing of Power Conductors.

In the design for construction or general reconstruction of Class H power lines, consideration shall be given to the configuration of the lines with a view to minimizing (1) throughout the entire length of the line inequalities among the capacitances to earth of the conductors; and (2) within normal parallels the intensity of the inductive effects. When two or more circuits are carried on one line the phase relations among the conductors of the different circuits should be chosen with the same purposes in view.

Excessive spacing of conductors should be avoided.

Two-wire branches electrically connected to a three-phase Class H power circuit should be avoided except those so short that they do not materially unbalance the three-phase circuit. Where such branches are employed they should be so distributed as to cause minimum unbalance.

No single-wire grounded Class H power or branches of multi-wire Class H power circuits shall be employed.

c. Transpositions — General.

All Class H power circuits and metallic communication circuits, or extensions of such circuits, hereafter constructed or generally reconstructed, shall be transposed throughout their entire lengths in such manner as to balance, as nearly as practicable, the capacitances to earth of their conductors. For single-circuit three-phase lines the maximum length of barrel for this purpose shall be 12 miles for circuits of triangular* configuration and 6 miles for other configurations. For twin-circuit three-phase lines, the maximum length of barrel shall be 6 miles; except that for

* A triangular configuration as here used means one in which the altitude of the triangle exceeds one-half the length of the longest side as base.

C. L. 84]

circuits of the vertical type (including cases with the middle conductors displaced slightly outward) and the equilateral triangular type with vertices upward, 9-mile barrels may be used when the circuits are interconnected for minimum unbalances.

Exceptions: Power lines, located principally on private rights-of-way and not electrically connected to the other lines, are exempt from this rule if separated from existing communication lines, and from highways required for the future construction of communication lines, by distances not less than those given below, except for crossings at angles over 30 degrees and other sections of unavoidable closer proximity not exceeding one mile in total length in each 10 consecutive miles of line; provided, however, that such sections of closer proximity to any one such communication line or highway shall not exceed one mile in each 30 consecutive miles of line.

Voltage between Power Conductors	Minimum Separation from Highways and Communication Lines
Below 50,000	600 feet
50,000-75,000	750 feet
75,000-100,000	850 feet
100,000-150,000	1,000 feet
150,000-200,000	1,200 feet

For power lines meeting all these conditions for exemption except that they are electrically connected to other lines through auto-transformers, the maximum lengths of barrel may be twice those specified above.

The question of whether highways that may be involved will be required for future communication lines shall be settled by agreement between the power company contemplating construction, the communication companies operating within the territory to be traversed and the Railroad Commission. In the event of disagreement, or if there is no such communication company, the matter shall be referred to this Commission. In cases where the proposed use of a particular highway by a communication company would be the determining factor in deciding whether a given power line must be transposed, such communication company shall make an effort to locate its proposed line elsewhere and the decision shall be made in accordance with the principle of least cost laid down in I (c).

Existing Class H power circuits and those exempted under the preceding paragraph, which hereafter become involved in normal parallels, shall be transposed so as to balance their capacitances to earth, when necessary for limiting residual voltages and currents to amounts which can be tolerated. The location and number of transpositions for this purpose shall be determined by agreement of the parties concerned.

In the location and spacing of the transpositions, due regard shall be paid to discontinuities which affect the capacitances of the circuit. Sections of circuit between such points of discontinuity should be treated independently.

In general, transpositions should be omitted at the junction points of successive barrels.

Metallic communication circuits, and single-phase and two-phase Class H power circuits, shall be transposed at intervals not exceeding 4 miles.

Power circuits less than 3 miles in length are not required to be transposed outside of parallels, except when the absence of transpositions would materially impair the balance of other circuits to which they are electrically connected.

Power circuits with grounded neutrals having a voltage of less than 12,500 volts between conductors are not required to be transposed outside of parallels, except where the lack of such transpositions in any specific case is the cause of interference.

Within normal parallels the transpositions in the two classes of circuits shall be as provided in (d) below. When the transpositions required in a parallel impair the general transposition system of either line outside the limits of the parallel, the necessary readjustment of transpositions shall be made in the sections of line adjacent to the parallel, as a part of the remedial measures therefor.

d. Transpositions — Inside Limits of Parallels.

Within each normal parallel an adequate scheme of transpositions, to neutralize so far as practicable the inductive

C. L. 84]

effects, shall be installed in the power circuits, and also in the communication circuits, provided the latter are metallic. The transposition systems in the two classes of circuits shall be properly co-ordinated. The parties concerned shall co-operate to determine upon the transposition scheme to be employed. The transpositions required in the line last constructed shall be installed before it is placed in service.

In applying the foregoing, the following rules shall, in general, be observed:

(1) For each normal parallel at least one barrel shall be installed in the power circuit. This applies also to a section of parallel where it is not practicable to obtain a balance by combining it with another section. In applying this rule it is not intended ordinarily to change the span lengths required for other purposes.

(2) In long uniform parallels or sections of parallel, involving a telephone line at highway separation from the power line, the barrels shall be 3 miles in length, subject to such variation as may be necessary for co-ordination with the transpositions required in the telephone circuits. Transpositions should, in general, be omitted at the junction points of successive barrels.

(3) Except as modified by (1) above, the number of transpositions required in power circuits paralleling telephone circuits shall be subject to the following limitations expressed in terms of the average distance between successive transpositions.

(a) For power circuits of 50,000 volts or more between conductors, not less than one mile.

(b) For power circuits of less than 50,000 volts between conductors, not less than one-sixth mile.*

(4) In case of a parallel between a power line and a telegraph line or other grounded communication line, the transpositions in the power circuit shall be located with due regard to the limits of the parallels and to discontinuities, in order to form as nearly as practicable a balanced system, subject to the condition that the transpositions in the power circuit are not required to be less than one mile apart, except as modified by (1) above. In long uniform sections of parallel, barrels 6 miles in length should be sufficient. Transpositions should be omitted at the junction points of successive barrels.

* While barrels of approximately 3 miles, as provided in (2) above, are generally to be employed, the shorter barrels specified in (3) are sometimes necessary in short parallels and in short sections of parallels, in order to co-ordinate with the discontinuities and obtain a proper degree of balance.

(5) The question of the most economical scheme to accomplish the purpose shall always be considered. Effort shall be made to utilize as many as practicable of the existing transpositions.

It is suggested that in case of a short section of a new line, not sufficient of itself to require transpositions, but which is likely to be extended later so that transpositions would then be necessary, consideration be given to the advisability of installing one or more suitably located transpositions in the new section of line while it is being constructed in order to avoid interrupting the service by adding transpositions afterwards.

Exceptions: Cases of parallelism may occur where the interference is due almost wholly to residual voltages and currents in which event transpositions in the power circuit are not required, except as provided in III (c).

IV. DESIGN, CONSTRUCTION AND ARRANGEMENT OF APPARATUS.

a. Quality and Suitability.

In designing, specifying, or otherwise determining the quality or suitability of apparatus to be connected to Class H power or communication circuits, and in arranging such apparatus for use, effort shall be made to avoid, so far as is reasonably practicable, all features which would tend to create or promote inductive interference under either normal or abnormal conditions. As instances in applying the foregoing, the following rules shall be observed.

b. Rotating Machinery.

In order to improve conditions generally, companies operating Class H power circuits shall make every effort to minimize the high frequency components of voltages and currents caused by rotating machinery. All new rotating machinery shall have as nearly as practicable a pure sine wave of voltage and shall not, in any case, deviate therefrom to exceed the limit set forth in the present standardization rules of the American Institute of Electrical Engineers.

C. L. 84]

No ground connection shall be used on the armature winding of an alternating-current generator or motor electrically connected to a power circuit involved in a normal parallel unless means are employed to avoid unbalancing the circuit and to reduce triple-harmonic residuals as far as may be necessary and practicable.

c. Transformers and Their Connections.

In order that the wave-shape of voltage and current may be distorted as little as practicable by transformers, all new transformers on Class H power circuits should have an exciting current as low as is consistent with good practice, and which shall not, at rated voltage, exceed 10 per cent. of the full load current; except that for transformers without neutral ground connections on the line side, the exciting current at rated voltage need not be less than 0.2 ampere.

Where three-phase transformers are employed with grounded neutrals the core type is preferable to the shell type.

Transformers or transformer banks shall not be grounded at such points of their windings as to unbalance a connected circuit involved in a normal parallel. As important cases under this rule, no grounded single-phase, grounded three-wire two-phase, or grounded open-star three-phase connection shall be so employed.

No star-connected transformers or auto-transformers shall be employed with a grounded neutral on the side connected to a three-phase power circuit involved in a normal parallel, unless low-impedance delta-connected secondary or tertiary windings or other equivalent means are used for suppressing the triple harmonic components of the residual voltages and currents introduced by the transformers.

Care shall be taken that the individual units in each grounded neutral bank of transformers, connected to a circuit involved in a normal parallel, are alike as to type and rating, including all electrical characteristics, and that

they are similarly connected, so as not to unbalance the circuit.

Closed-delta connections shall be used wherever practicable in preference to open-delta connections on three-phase power circuits involved in normal parallels. When open-delta connections are employed, an effort shall be made to distribute such connections equally among the three phases.

Where triple-harmonic residual voltages and currents due to star-connected transformer banks exist in amounts which cannot be tolerated, and it is inexpedient to isolate the transformer neutrals, such residuals shall be limited by operating the transformers at reduced magnetic density or by other available means.

d. Rectifiers.

Rectifiers and other apparatus tending to distort the alternating current wave when installed on power lines involved in normal parallels, shall, if necessary, be equipped with suitable auxiliary apparatus to prevent harmful distortion of the wave-form of power circuit voltage or current.

e. Switches.

Each oil-break switch in a power circuit involved in a parallel, located between the source or sources of energy and the parallel, and used for energizing or de-energizing the circuit, shall have all poles mechanically interconnected for simultaneous action. There shall be at least one such switch so located as to control the supply of energy to each power circuit involved in a parallel, and, except at stations where an operator is constantly on duty, such switch shall be made automatic for short circuits, grounds, and in case of grounded neutral circuits, for abnormal neutral currents.

Careful consideration shall be given to means of minimizing transient disturbances caused by switching operations on Class H power circuits, which would cause inductive interference. Whenever practicable, provision shall be made for switching on the station-side rather than on the line-side of transformer banks.

C. L. 84]

Oil-break switches, having their poles mechanically interconnected for simultaneous action, shall be provided wherever the use of air switches or non-interconnected single-pole oil switches would cause harmful transient disturbances in parallel communication circuits.

j. Fuses.

Switches shall be used instead of main-line fuses wherever practicable in a power circuit involved in a parallel.

g. Electrolytic Lightning Arresters.

When electrolytic lightning arresters are employed on a power circuit involved in a parallel they shall be equipped with auxiliary charging resistances and contacts so arranged that the horn gaps are short-circuited at the time of charging, to avoid as far as possible the production of arcs.

h. Special Instruments.

Reliable indicating devices shall be installed at the source of supply of power circuits involved in parallels, to inform the operators immediately of abnormal conditions, such as grounds, and, wherever possible, open circuits, which have not operated automatic switches.

Whenever a neutral ground connection is employed on a circuit involved in a parallel, an ammeter, suitable for measuring the current in the neutral under normal operating conditions, shall be installed in each neutral connection to ground at the main generating and main attended substations on the power system electrically connected to the circuit involved in the parallel.

i. Communication Apparatus.

All apparatus electrically connected to metallic communication circuits involved in parallels shall be designed and constructed so as to secure as nearly as practicable an accurate balance of the series impedances and the admittances to earth of the two sides of the circuits in order to minimize

the detrimental effects of induction from parallel power circuits.

V. OPERATION AND MAINTENANCE.

a. General Requirements.

Power and communication companies shall use all reasonable means to operate and maintain circuits involved in parallels in such a manner as to minimize interference under conditions of normal operation, and to avoid transient disturbances.

b. Balance.

In the maintenance of both power and communication circuits involved in parallels special care shall be given to the prevention of mechanical and electric failures which would cause or promote transient disturbances or unbalances such as those due to tree-grounds, defective or dirty insulators or other faults.

The voltages and currents of power circuits involved in parallels shall be kept balanced as closely as practicable and accidental unbalances shall be promptly corrected.

c. Record of Neutral Current.

At all points on grounded neutral systems equipped as required in IV (*h*), the power company shall observe and record the approximate daily maximum neutral current.

d. Transformers.

No transformers connected to power circuits involved in normal parallels shall be operated at more than 10 per cent. above their rated voltage. Wherever practicable in case of existing equipment and in all cases of new equipment, transformer banks with grounded neutrals on the side which is connected to a power circuit involved in a normal parallel shall not be operated at more than 5 per cent. above their rated voltage.

e. Switching.

In all switching operations care shall be taken to avoid so far as possible the production of harmful transient disturbances.

C. L. 84]

f. Charging Electrolytic Lightning Arresters.

When, notwithstanding compliance with IV (g), interference is caused by charging electrolytic lightning arresters, such charging shall be done at night, so far as is possible, preferably between 2 A. M. and 4 A. M.

g. Abnormal Conditions.

Power companies shall adopt operating rules which shall specifically outline the procedure for their operators during times when a power circuit involved in a parallel is abnormally unbalanced, as will occur with an open, grounded or short-circuited line or transformer winding.

Such rules shall, in general, provide for the discontinuance of operation of the power line until the fault is remedied, excepting only those cases where it is clear that the service rendered the public by continuing operation of this section of power line is of greater importance than the communication service interrupted by such continued operation.

When it is necessary to energize a defective power line in order to locate a fault, care shall be taken to avoid as far as possible repeatedly energizing any section of such line which parallels communication circuits, until the fault has been cleared. Whenever possible, the faulty section of line shall not be energized more than once until disconnected from the section of line involved in the parallel.

To facilitate the study and prevention of disturbances in communication circuits, occasioned by transient conditions of power circuits, accurate record shall be kept of the nature and time of occurrence of failures, changes in operating arrangements and all switching during times of abnormal conditions of Class H power circuits involved in parallels; and of all transient disturbances in communication circuits. These records shall be made available for use in tracing the causes of such transient disturbances.

VI. OTHER CASES OF INDUCTIVE INTERFERENCE.

If any case of inductive interference, not otherwise covered by these rules, shall be experienced or become immi-

ment, such as interference from alternating-current railways operating with ground return, constant-current lighting circuits, power circuits carried in cables, power circuits of lower voltage than Class H power circuits, direct current circuits, or interference in communication circuits carried in cable or in subscribers' metallic telephone circuits, the parties concerned shall endeavor to agree upon a procedure for the prevention or mitigation of the interference by applying remedial measures. In the event of disagreement between the parties concerned, the matter shall be referred to this Commission.

VII. RULES SUBJECT TO LAWS AND ORDERS OF COMMISSION.

These rules are to apply in all cases where there is no conflict with any law of this State or order of this Commission now or hereafter in effect. In case of conflict, where these rules add to the requirement of any law of this State or order of this Commission, these rules shall prevail; otherwise not.

July 3, 1918.

COLORADO RIVER TELEPHONE COMPANY v. CALIFORNIA SOUTHERN RAILROAD COMPANY AND THE WESTERN UNION TELEGRAPH COMPANY.

Case No. 1005 — Decision No. 5649.

Decided August 3, 1918.

Rehearing with Regard to the Transmission of Telegraph Messages by Telephone, Denied.

OPINION.

The petition of California Southern Railroad Company for rehearing questions Decision No. 4606,* made on August 30, 1917, in so far only as the decision refers to the transmission of telegraphic messages by telephone.

* See Commission Leaflet No. 71, p. 1004.

Petitioner urges that a contract which it proposed to enter into with The Western Union Telegraph Company for conducting a telegraph business was authorized and approved by the Railroad Commission, that it would be unwarranted and unjust for the Railroad Commission to now withdraw its consent and approval, that the decision of the Commission to the effect that petitioner is doing a telephone business and rendering a telephone service to a part of the public is unsupported by the evidence and contrary to law, and that the order to discontinue the use of petitioner's line for the transmission of telegraphic messages by telephone is unlawful and erroneous. Reference is hereby made to said Decision No. 4606,* and the reasons therein contained are reaffirmed as the Commission's basis for ordering defendant to discontinue the use of its line for the transmission of telegraph messages by telephone.

We are of the opinion that no good reason appears for granting a rehearing, and that the petition for rehearing should be denied.

ORDER.

California Southern Railroad Company, a defendant in the above-entitled proceeding, having filed herein a petition for rehearing, and careful consideration having been given to the same, and no good reason appearing why a rehearing should be held,

It is hereby ordered, That said petition for rehearing be, and the same is, hereby denied.

Dated at San Francisco, California, this third day of August, 1918.

* See Commission Leaflet No. 71, p. 1004.

FLORIDA.

Railroad Commissioners.

In re REPAIRS AND IMPROVEMENTS TO HASTINGS TELEPHONE
COMPANY.

Order No. 61.

Decided September 5, 1918.

**Change in Location of Central Office Ordered — Installation of New
Switchboard with Increased Circuits Ordered — Outside Plant
Ordered to be Put In Good Condition.**

ORDER.

Pursuant to notice No. 206, dated the twenty-fourth day of July, 1918, this matter came on for hearing before the Railroad Commissioners of the State of Florida, at the office of the town council in Hastings, Florida, on the twenty-first day of August, 1918, at 2 o'clock in the afternoon. *T. B. Chase, F. E. Bugbee, Miss Zelma Hicks and E. H. Dowdy*, all residents of Hastings, and patrons of the Hastings Telephone Company, appeared and testified under oath regarding the subject matter of this hearing. *George B. Ames*, telephone engineer for the Railroad Commissioners, testified fully regarding his inspection of the Hastings telephone plant. The Hastings Telephone Company made no answer in writing to the notice; *B. L. Brown*, owner and general manager of the company, appeared at the hearing representing said company. After taking testimony of witnesses under oath, and hearing all who desired to be heard, the Commissioners took the said matter under advisement.

And now on this date, the said matter coming on for further and final consideration, and the Commissioners being fully advised in the premises, do find from the evidence adduced at said hearing that the telephone system of the Hastings Telephone Company is in bad condition and that

C. L. 84]

poor service is rendered to the patrons of said company, and that repairs and improvements should be made thereto in order to promote the security and convenience of the public, patrons and employees of said company, and to secure adequate service and facilities for telephone communications, as detailed by report of George B. Ames, telephone engineer, setting out the necessary repairs and improvements that should be made, and the recommendations contained in said report are hereby adopted.

The Commissioners further find that the central exchange of said telephone company is badly located and should be moved. Mr. Brown acknowledged this fact and stated to the Commissioners at said hearing that new and better accommodations had been secured for the removal of said exchange. The Commissioners further find that the present switchboard is entirely inadequate and in a very bad condition and should be replaced by a new switchboard. That only 8 cord circuits are in use on said switchboard for local and long distance conversation, which the Commissioners find to be entirely inadequate to take care of the business of said company. The Commissioners further find that many of the stations of the telephone company are in bad condition and that telephone communication over a large number of stations is poor, and over some lines almost impossible. That many of the poles of the company are rotted down, and others are in bad condition, and that the poles are not provided with sufficient cross-arms, pins and insulators, or brackets and insulators, and that the wires are not tied to insulators in many places, and that the wires are slack and sag in places. In testifying before the Commissioners, Mr. Brown stated that he recognized the condition of the exchange to be bad and that it had been getting worse each year, and that he had not maintained the upkeep of his telephone plant at Hastings in such condition that adequate service could be rendered.

Wherefore, it is considered, ordered and adjudged by the Railroad Commissioners of the State of Florida, That the

Hastings Telephone Company be, and it is hereby, ordered, directed and required:

1. To secure a new and better location for its central office, preferably an upstairs location, and to remove its present central office and equipment to said new location.

2. To install a new switchboard with not less than 15 cord circuits therein for local and long distance service, together with all necessary equipment connected therewith.

3. To put all stations in good condition, including the installation of approved protectors at every station; replacing the cords where worn and noisy with new cords; installing mouth pieces where not on telephone; installing new receivers and receiver shells where necessary; doing all necessary work to each station to put the same in good working condition.

4. To put the outside plant in good condition by replacing telephone poles in places where poles are now rotten, or are down, and to put up such additional poles as are necessary; to equip all poles with necessary cross-arms, pins and insulators, or brackets and insulators, including replacement where those now in use are rotten or in bad condition, to tie all wires to their appropriate insulators, and tighten up all slack wires, and do all work necessary on leads and lines to give adequate service to the public and patrons of said telephone company.

The Commissioners direct that the said Hastings Telephone Company, in making said repairs and improvements follow, as near as practical, the suggestions contained in the report of George B. Ames, their telephone engineer, dated the twenty-eighth day of June, 1918, a copy of which has been furnished said Hastings Telephone Company.

It is further considered, ordered and adjudged, That the work hereby directed to be done shall be commenced immediately and shall be completed within six months from the date of this order.

Done and ordered by the Railroad Commissioners of the State of Florida, in session at their office in the city of Tallahassee, the Capital, this fifth day of September, 1918.

IDAHO.

Public Utilities Commission.

In re APPLICATION OF J. A. KINCAID FOR AUTHORITY TO
INCREASE RATES.

Case No. F-231 — Order No. 529.

Decided October 3, 1918.

Increase in Rural Rates Authorized.

OPINION AND ORDER.

This matter came before the Commission on the formal application of J. A. Kincaid, owning and operating a telephone system under the name of the Mackay Telephone Company, in the town of Mackay and vicinity.

The application, as filed with the Commission on August 7, 1918, prayed authority to increase effective rates for rural subscribers from \$1.50 to \$2.00 per month.

Due notice was given of the filing of said application and no objections having been filed thereto, same was regularly set for hearing for the purpose of taking proof in justification of the proposed increase.

Said matter came regularly on for hearing pursuant to notice duly given, at the city hall of the town of Mackay on the thirteenth day of September, 1918, before Commissioner Erb, and the applicant, J. A. Kincaid, was sworn and testified, and introduced certain documentary evidence in justification of his application, and no person appearing or evidence offered in objection thereto, said matter was submitted to the Commission for decision.

After considering the evidence offered, the Commission finds therefrom:

That J. A. Kincaid is the owner and operator of what is known as the Mackay Telephone Company, operating a telephone exchange in the town of Mackay, together with several rural lines aggregating approximately 80 line miles of rural extension in the vicinity of said town.

That said telephone system was purchased March 1, 1918, for the sum of \$10,000 by the present owner, and that since

taking charge of same the owner has expended approximately \$1,000 in improvements, practically all of which has been used on the rural lines. That the exchange in the town of Mackay is a metallic system, while the rural extensions are on a grounded system, and that on the taking over of the system by the present owner these rural lines were in bad order, with poles out, wires down, and insufficiently grounded, and the operation of same far from satisfactory.

That the present owner has reset poles, restrung the wiring and put in use ground rods of sufficient length and well soldered, so that very satisfactory service is now being maintained over the rural extensions.

That no switching charge is made for the rural lines, but that all these are maintained as a part and parcel of the Mackay exchange system.

The Commission further finds that the said system is economically managed and the average operating expenses are \$304.35 per month.

That the revenue under the present schedule of rates is \$378 per month.

That the increase from \$1.50 to \$2.00 per month for rural subscribers will result in an increase of revenue in the sum of \$34.00 per month.

That with the increase in rates the applicant will have approximately \$1,291.80 over and above operating expenses to meet taxes, interest, depreciation and return on investment, and that the same is reasonable.

The Commission further finds that the service on the rural lines has been improved to such an extent as to justify the increase from \$1.50 to \$2.00 per month as asked by applicant.

It is, therefore, ordered, That J. A. Kincaid, owning and operating the Mackay Telephone Company, be, and he is hereby, authorized to file with this Commission, under effective date of November 1, 1918, a tariff, embodying therein a charge of \$2.00 per month for rural line subscribers.

Done in open session at Boise, Idaho, this third day of October, 1918.

ILLINOIS.

Public Utilities Commission.

PUBLIC UTILITIES COMMISSION *ex rel.* CHICAGO TELEPHONE
COMPANY *v.* POSTAL TELEGRAPH-CABLE COMPANY.

**Telegraph Company Can Engage in Telephone Business without Securing
Certificate of Convenience and Necessity — Telegraph Business
Held to Embrace Telephone Business — Installation of
Necessary Apparatus Held an Extension, and
not Construction of New Plant.**

On October 21, 1918, the Supreme Court of Illinois, having granted a rehearing of its previous decision (See Commission Leaflet No. 78, p. 1331), which held that the order of the Public Utilities Commission (See Commission Leaflet No. 66, p. 1473) directing the telegraph company to cease and desist from the operation of a public telephone business in the State of Illinois until it should obtain certificate of public convenience and necessity from the Commission, was invalid for lack of jurisdiction, held again that the order was invalid, since the company's right to do a telegraph business embraced the right to do a telephone business, the addition of the necessary appliances was a mere extension of service and, therefore, the company, which was engaged in a telegraph business before the Public Utilities Act was passed, need not secure such certificate.

A petition for rehearing is pending.

In re APPLICATION OF CAHOKIA TELEPHONE COMPANY FOR
AUTHORITY TO SELL, AND OF HARRISONVILLE TELEPHONE
COMPANY FOR AUTHORITY TO PURCHASE, THE EXCHANGE
AND SYSTEM OF CAHOKIA TELEPHONE COMPANY IN THE
VILLAGE OF DUPO.

In re APPLICATION OF HARRISONVILLE TELEPHONE COMPANY
FOR AUTHORITY TO ISSUE COMMON CAPITAL STOCK AND
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

Case No. 7314.

Decided September 19, 1918.

**Sale of Property and Issue of Stock in Part Payment Therefor,
Authorized.**

OPINION AND ORDER.

The above-entitled cause came on for hearing before the Commission upon the application of the Cahokia Telephone

Company for authority to sell and of the Harrisonville Telephone Company for authority to purchase, for the sum of \$6,000 to be paid for in stock of the latter company, the telephone exchange and system in the village of Dupo, St. Clair County, Illinois, and vicinity, owned by said Cahokia company; and the further application of said Harrisonville Telephone Company for a certificate of convenience and necessity to acquire and operate a telephone exchange and system in said village of Dupo and vicinity, and for authority to issue its common capital stock in the aggregate amount of \$6,000, par value.

The petitioners appeared at said hearing and presented their evidence and upon due consideration thereof it appears to the Commission that the petitioner, the Cahokia Telephone Company, is a corporation organized under the laws of this State and engaged in the operation of a telephone system in the village of Dupo and vicinity; that the petitioner, the Harrisonville Telephone Company, is also a corporation organized under the laws of Illinois and engaged in the operation of a telephone system, with its principal place of business at Waterloo, Illinois; and that both petitioners are public utilities within the meaning of Section 10 of an Act to Provide for the Regulation of Public Utilities.

It further appears that said Cahokia Telephone Company has agreed to sell and that the Harrisonville Telephone Company has agreed to purchase, the telephone exchange and system, owned by the Cahokia company, located in the village of Dupo and vicinity, for the sum of \$6,000, to be paid for in stock of the said Harrisonville Telephone Company of the par value of \$6,000.

The petitioner, the Cahokia Telephone Company, submitted an inventory of the property to be sold and purchased, as aforesaid, which inventory has been checked and the property appraised by the engineering department of the Commission. The report of valuation made by the engineering department which was introduced in evidence in this case indicates that the cost new of the physical

C. L. 84]

property involved in this case was \$4,683, and that the cost new, less depreciation, was \$4,037.

Considering all elements of value, both tangible and intangible, the Commission finds that the value of the telephone system of the Cahokia Telephone Company involved herein is the sum of \$4,500, which limits the amount to which the petitioner should be permitted to permanently capitalize said property.

The Commission further finds that the Cahokia Telephone Company should be authorized to sell and the Harrisonville Telephone Company should be authorized to purchase, the telephone exchange and system owned by the former in the village of Dupo and vicinity for the sum of \$6,000 upon the terms and conditions hereinafter set forth. The authorization of the purchase and sale herein shall in no manner be binding upon the Commission in determining the fair value of the property in question for rate-making purposes, or in determining just and reasonable rates for telephone service in Dupo and vicinity, should these matters come before the Commission in the future.

The Commission further finds that the application of said Harrisonville Telephone Company for a certificate of convenience and necessity to acquire, maintain and operate the existing telephone system in the village of Dupo and vicinity is reasonable, and should be granted upon the conditions hereinafter stated.

The Commission further finds that the application of said Harrisonville Telephone Company for authority to issue its capital stock should be granted only to the extent of \$4,500, par value, which amount the Commission has found to be the value of the telephone property to be acquired by said Harrisonville Telephone Company, as aforesaid.

It is, therefore, ordered, by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Cahokia Telephone Company be, and it hereby is, authorized to sell and the Harrisonville Telephone Company be, and it hereby is, authorized to purchase, the telephone exchange and system in the village of Dupo,

Illinois, and vicinity owned by said Cahokia Telephone Company, for the sum of \$6,000, of which amount \$4,500 shall be paid in the capital stock of said Harrisonville Telephone Company of the par value of \$4,500, being 45 shares of the par value of \$100 each; the balance of \$1,500 of the purchase price shall be paid in cash; said purchase and sale to be upon the terms hereinafter set forth, which are attached as conditions to the consent of the Commission to the making of said purchase and sale.

1. That the complete transfer of the property to be sold and purchased, as herein provided, shall be effected within sixty days from the date of this order.

2. That upon the completion of said sale and purchase the Harrisonville Telephone Company shall make a verified report of the same to this Commission.

3. That upon effecting a complete transfer of said property, said Cahokia Telephone Company shall be permitted and required to discontinue the operation of its telephone exchange and system in the said village of Dupo and vicinity, and shall file with this Commission a certificate of such discontinuance.

4. That the Cahokia Telephone Company shall turn over all of its books of accounts and records to the Harrisonville Telephone Company, taking a detailed receipt therefor and furnishing this Commission with a certified copy of said receipt.

5. That the Harrisonville Telephone Company shall make, or cause to be made, a final report to this Commission of the operations of said Cahokia Telephone Company from the date of its last annual report to this Commission to the date the property is transferred.

Section 2. That the Harrisonville Telephone Company be, and it hereby is, authorized to issue its common capital stock of the par value of \$4,500 and to deliver same to the Cahokia Telephone Company in part payment of the purchase price of said telephone property of the Cahokia Telephone Company.

Section 3. That the Cahokia Telephone Company be, and it hereby is, authorized to accept and receive from the said Harrisonville Telephone Company \$4,500, par value, of capital stock of the latter company as part payment for the property above mentioned.

Section 4. That the \$1,500 of said purchase price, being the excess of the purchase price over and above the \$4,500

C. L. 84]

which has hereinabove been found to be the value of the property in question properly chargeable to capital account, shall be charged to profit and loss.

Section 5. That a certificate of convenience and necessity to acquire and operate the existing telephone exchange and system in the village of Dupo and vicinity be, and the same is hereby, granted by this Commission to the Harrisonville Telephone Company under Section 55 of an Act to Provide for the Regulation of Public Utilities, approved June 30, 1913, and in effect January 1, 1914, and that said certificate be issued under the seal of this Commission and authenticated by its secretary,

Section 6. That the said Harrisonville Telephone Company shall, before the issue and delivery of any of the certificates of stock herein authorized to be issued, cause to be printed, stamped or engraved upon the face of each of said certificates of stock for the proper and easy identification thereof, the following:

“PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 721.
September, 1918.”

Section 7. That the said Harrisonville Telephone Company shall keep true and accurate accounts covering in full the issue and disposition of the capital stock herein authorized and said company shall, within sixty days from the date of this order, make a verified report, in duplicate, to this Commission showing the issue and disposition of said stock, the property received therefor, and all accounts, vouchers and records in connection with the issuance of said stock shall be kept open to audit and may be audited from time to time by such accountants or examiners as this Commission may designate for that purpose.

Section 8. That said Cahokia Telephone Company shall, upon the completion of said sale and transfer, and payment therefor being made in full as above provided, take up and cancel, cremate or otherwise destroy all certificates of stock issued by said company, and a certificate of such destruction shall be filed by said company with this Commission

within sixty days from the date of the completion of said sale and transfer.

By order of the Commission, at Springfield, Illinois, this nineteenth day of September, 1918.

In re APPLICATION OF MACOUPIN COUNTY TELEPHONE COMPANY FOR AN ORDER AUTHORIZING ISSUE OF BONDS, AND EXECUTION OF DEED OF TRUST, ETC.

Case No. 7710.

Decided September 19, 1918.

Order Authorizing Issue of Second Mortgage Ten-Year 6 Per Cent. Bonds Amended.

SUPPLEMENTAL ORDER.

A supplemental petition having been filed herein by the Macoupin County Telephone Company, asking that an order* entered by this Commission in the above-entitled cause on March 19, 1918, be modified by striking from said order Section 2 thereof, in which section said telephone company was authorized to issue its second mortgage 6 per cent. gold bonds to the amount of \$13,500, par value, 50 of said bonds to be of the par value of \$100 each, and 17 of said bonds to be of the par value of \$500 each, and to substitute therefor a new section wherein said telephone company will be authorized to issue its second mortgage 6 per cent. gold bonds to the amount of \$13,500, par value, 20 of said bonds to be of the par value of \$100 each, and 23 of said bonds to be of the par value of \$500 each.

And the Commission having considered said supplemental application, and being fully advised in the premises, is of the opinion, and finds, that said order of March 19, 1918, should be modified in accordance with the prayer of said supplemental application.

It is, therefore, ordered by the Public Utilities Commission of Illinois, That the order entered by this Commission*

* See Commission Leaflet No. 77, p. 983.

C. L. 84]

on March 19, 1918, in the above-entitled cause, be, and the same is hereby, amended by striking from said order Sections thereof, and substituting therefor, the following, which shall be designated Section 2:

"Section 2: That said Macoupin County Telephone Company be, and hereby is, authorized to issue its second mortgage 6 per cent. gold bonds to the amount of \$13,500, par value, each of said bonds to be dated as of October 1, 1917, and to mature on October 1, 1927, bonds Nos. 1 to 20, both inclusive, to be of the par value of \$100 each, and of the aggregate par value of \$2,000; bonds Nos. 51 to 72, both inclusive, to be of the par value of \$500 each, and of the aggregate par value of \$11,500, all of said bonds to bear interest at the rate of 6 per cent. per annum, payable semi-annually under and in pursuance of the terms and conditions of said mortgage or deed of trust hereinabove authorized, and redeemable at the end of five years from the date thereof or at any interest paying date thereafter at par and accrued interest."

It is further ordered, That said order* of March 19, 1918, be, and the same is hereby, continued in force in all other respects than as herein specifically amended.

By order of the Commission at Springfield, Illinois, this nineteenth day of September, 1918.

In re APPLICATION OF FARMERS MUTUAL TELEPHONE COMPANY FOR AUTHORITY TO SELL, AND OF KANSAS MUTUAL TELEPHONE COMPANY FOR AUTHORITY TO PURCHASE, THE EXCHANGE AND SYSTEM IN KANSAS AND VICINITY, AND FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY, ETC.

Case Nos. 7901 and 7902.

Decided September 19, 1918.

Issue of Stock, to Replace Stock Issued Without Authority of Commission, Authorized — Practice Requiring New Subscribers to Become Stockholders Disapproved — Certificate of Convenience and Necessity Granted.

OPINION AND ORDER.

The above-entitled cases came on for hearing before the Commission upon the application of the Farmers Mutual

* See Commission Leaflet No. 77, p. 983.

Telephone Company for authority to sell, and the application of the Kansas Mutual Telephone Company, a corporation, for authority to purchase for the sum of \$1,400 to be paid for in its common capital stock of the par value of \$1,400, the telephone exchange and system owned by said Farmers Mutual Telephone Company and located in the village of Kansas, Illinois, and vicinity; and the further application of said Kansas Mutual Telephone Company for a certificate of convenience and necessity to acquire and operate a telephone exchange and system in the said village of Kansas and vicinity, and for authority to issue its common capital stock in the aggregate amount of \$2,500 for the purposes hereinafter specified.

The petitioners appeared at said hearing and presented their evidence, and upon due consideration thereof it appears to the Commission that the Farmers Mutual Telephone Company is a mutual association consisting of 140 members which has operated a telephone exchange and system in the village of Kansas and vicinity for more than ten years prior to October 28, 1914; that on the date last mentioned the Kansas Mutual Telephone Company was incorporated and purchased all of the telephone property and system of the Farmers Mutual Telephone Company and paid for the same by issuing to each member of the Farmers Mutual Telephone Company one share of stock of the par value of \$10.00 in the Kansas Mutual Telephone Company, making a total of \$1,400, par value, of stock so issued. This sale by the Farmers Mutual Telephone Company and purchase by the Kansas Mutual Telephone Company was made without said parties having obtained the consent of the Commission.

From the evidence submitted as to the value of said property, the Commission is of the opinion that the sum of \$1,400 which was the sale and purchase price of the telephone exchange and system reasonably reflects the value of said telephone property so acquired by the Kansas Mutual Telephone Company.

C. L. 84]

It further appears from the evidence that the said Kansas Mutual Telephone Company has also issued, in addition to the \$1,400 of capital stock above mentioned, its capital stock of the par value of \$190 for the purpose of constructing certain additions and extensions to its telephone lines and system, thus making a total of \$1,590, par value, of stock now outstanding, all of which was issued without the consent of the Commission.

It further appears that the Kansas Mutual Telephone Company now desires the Commission to authorize it to issue its common capital stock in the aggregate amount of \$2,500, par value, of which \$1,590, par value, of stock is to be used in replacing stock of that amount now outstanding and which was issued without the consent of the Commission as aforesaid. The remaining \$910, par value, of stock the petitioner desires to issue from time to time as it secures new subscribers, it being the practice of the petitioner to require all new applicants for telephone service to become stockholders in the Kansas Mutual Telephone Company, before telephone service will be furnished them. This practice of the petitioner is contrary to both the spirit and the provisions of the Public Utilities Commission Act, and cannot be approved. The Kansas Mutual Telephone Company is a public utility and it is, therefore, its duty to provide service to all who may apply, and who are ready and willing to pay the scheduled rates for service, and to comply with the reasonable rules of the company. As no showing has been made that would justify the issuance of said \$910, par value, of stock, it follows that that portion of the application herein should not be granted at this time.

From a careful consideration of the facts and circumstances shown by the record herein, the Commission finds as follows:

1. That the Farmers Mutual Telephone Company should be authorized to sell, and the Kansas Mutual Telephone Company should be authorized to purchase, the telephone exchange and system owned by the former in the village of Kansas and vicinity for the sum of \$1,400.

2. That the application of said Kansas Mutual Telephone Company for a certificate of convenience and necessity to maintain and operate the existing telephone system in the village of Kansas and vicinity, is reasonable and should be granted.

3. That the said Kansas Mutual Telephone Company should be authorized to issue its common capital stock in the aggregate amount of \$1,590, par value, and that that portion of the application of said company which seeks the approval of the Commission to the issuance of \$910 additional capital stock should be denied.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the petitioner, the Farmers Mutual Telephone Company, be, and it hereby is, authorized to sell, and the petitioner, the Kansas Mutual Telephone Company, a corporation, be, and it hereby is, authorized to purchase, for the sum of \$1,400 all of the telephone property and system owned and operated by said Farmers Mutual Telephone Company in the village of Kansas and vicinity.

Section 2. That a certificate of convenience and necessity to acquire and operate the telephone exchange and system in the village of Kansas and vicinity be, and the same is hereby, granted by this Commission to the Kansas Mutual Telephone Company under Section 55 of an Act to Provide for the Regulation of Public Utilities, and that said certificate be issued under the seal of this Commission and authenticated by its secretary.

Section 3. That the Kansas Mutual Telephone Company be, and it is hereby, authorized to issue its common capital stock in the aggregate amount of \$1,590, being 159 shares of the par value of \$10.00 each.

Section 4. That the stock herein authorized to be issued shall be used in taking up and retiring 159 shares of the common capital stock of said Kansas Mutual Telephone Company now outstanding, which was issued without the consent of this Commission, as aforesaid.

C. L. 84]

Section 5. That the Kansas Mutual Telephone Company shall, before the delivery of said stock herein authorized to be issued, cause to be printed, stamped, or engraved on the face of each certificate of stock, for its proper and easy identification the following:

"PUBLIC UTILITIES COMMISSION OF ILLINOIS.

AUTHORIZATION NO. 719.

September, 1918."

Section 6. That the said Kansas Mutual Telephone Company shall keep true and accurate accounts showing the disposition of the stock herein authorized, and said company shall, within sixty days from the date of this order, make a verified report, in duplicate, to this Commission showing the issue and disposition of said stock and the retirement and cancellation of the certificates of stock heretofore issued without the consent of the Commission, as aforesaid.

By order of the Commission, at Springfield, Illinois, this nineteenth day of September, 1918.

In re APPLICATION OF WILLIAMSVILLE TELEPHONE COMPANY
FOR AUTHORITY TO CHANGE RATES AT WILLIAMSVILLE AND
SHERMAN.

Case No. 8232.

Decided September 30, 1918.

**Increase in Rates Authorized — 7 Per Cent. Fixed for Reserve for
Depreciation — Toll Rates, in Place of Free Interexchange
Service, Authorized.**

OPINION AND ORDER.

The application filed herein states that the Williamsville Telephone Company, of Williamsville, Illinois, is a public utility, engaged in the operation of a telephone system in Williamsville, Illinois, and Sherman, Illinois, and vicinities, and that it is a public utility within the meaning of Section

10, Article I, of an Act to Provide for the Regulation of Public Utilities, now in force in Illinois, and as such utility application is made for the issuance of an order authorizing the placing in effect of a revised schedule of rates for telephone service in Williamsville, Illinois, and vicinity, and Sherman, Illinois, and vicinity. The present rates of the petitioner, now in effect, are as follows:

Telephones..... \$15 00 per year
Toll from Williamsville to Springfield 10 cents for each 3 minutes, except to those subscribers who originally used the Sherman exchange, who have free service from Williamsville to Springfield.

Application is made for authority to change the rates now in effect and to put into effect the following schedule:

	Per Year
Individual line telephones.....	\$21 00
Party line telephones.....	18 00
Toll of 10 cents for each 3 minutes from Williamsville to Springfield.	

This matter came on for hearing before the Commission on June 19, 1918. The Williamsville Telephone Company was represented by *Mr. John A. Barber*, attorney, Springfield, Illinois, and certain objectors to the petition were represented by *Mr. F. R. Sweet*, Sherman, Illinois, and *Mr. Eugene Cooper*, Sherman, Illinois. The petitioner introduced as exhibits, proof of publication of application to increase rates, and was instructed to file a report as to the number and distribution of subscribers as of June 1, 1918, which report was later received and made a part of the record.

The petition as filed, asks authority to establish a toll rate of 10 cents for each 3 minutes, for all subscribers of the company, from Williamsville to Springfield, and from Sherman to Springfield, but this portion of the proposed schedule, insofar as it applies to subscribers talking at Sherman, was withdrawn by the petitioner at the hearing, to comply with the terms of the order issued by the Public Utilities Commission in Case No. 5440.*

* See Commission Leaflet No. 60, p. 1404.

C. L. 84]

From the testimony and record it appears that the petitioner is serving approximately 352 subscribers, distributed as follows:

On one-party circuits.....	55
On party line circuits.....	297

Of these subscribers, approximately 43 are located in Sherman, Illinois, and vicinity, but are served from the Williamsville exchange. The actual present value of the plant of the Williamsville Telephone Company was determined by consideration of valuations of its two component plants, that of the Sangamon Valley Telephone Company and that of the Williamsville and Sherman Telephone Company, which were purchased and consolidated by the petitioner under authority of the Public Utilities Commission. Inventory made at that time, for the two plants, with certain additions for property acquired since, has been appraised, using costs based upon a five-year period, 1912 to 1916, inclusive. The cost to reproduce new the physical portion of the property, and the cost to reproduce new, less depreciation, are shown in the table:

	<i>Reproduction Cost New</i>	<i>Scrap Value</i>	<i>Present Value</i>
Williamsville and Sherman Telephone Company	\$15,884	\$698	\$11,839
Sangamon Valley Telephone Company.	12,800	281	9,142
Plant additions acquired since 1916....	126	.....	126
Williamsville Telephone Company.....	\$28,810	.....	\$21,107

After carefully considering the methods used in the appraisal and giving due consideration to all the factors involved, the Commission is of the opinion, and finds, that, with subsequent additions and including a reasonable allowance for working capital, a fair value of the existing property, for rate-making purposes, as of June 4, 1918, is at least \$24,687.

The Commission is also of the opinion, and finds after consideration of the record and all factors involved, includ-

ing the condition of the plant, that a sum equal to 7 per cent. of the cost of reproduction new should be set aside annually to provide a suitable reserve against depreciation.

The total operating expenses shown to occur in the plant of the petitioner for the year 1917, including a suitable allowance for a reserve against depreciation, are approximately \$5,355 per annum.

Under the present rates the total annual operating revenue realized, with the present distribution and number of subscribers, is \$5,280. Should the proposed rates be placed in effect, and the same total number and distribution of subscribers be maintained as at present, the total annual operating revenue realized will be approximately \$6,501, an increase over the present operating revenue of \$1,221.

Exclusive of the allowance required to provide a suitable reserve against depreciation, the annual return from the operation of the property, provided the proposed rates are placed in effect, will be approximately \$1,017, or 4.1 per cent. of the fair value of the property assumed as a rate basis.

The Commission, having given due consideration to the evidence offered and the record, is of the opinion, and finds, that the rates now in effect do not provide a reasonable return upon a fair value of the property, provided that an adequate annual allowance is set aside for a reserve against depreciation; that the proposed classification of subscribers is fair and reasonable; and that the proposed rates are necessary to cover annual operating expense and provide a fair return upon a reasonable valuation.

It is, therefore, ordered, That a sum equal to 7 per cent. of the cost to reproduce the property, plus the cost of additions already acquired and of other additions as made each year, be set aside annually by the Williamsville Telephone Company, the petitioner herein, to provide a reserve against depreciation.

It is further ordered, That the petitioner herein be, and the same is hereby, permitted to discontinue the schedule of rates now in effect and to substitute in lieu thereof the

C. L. 84]

following schedule, which shall be designated as I. P. U. C. No. 1:

	<i>Per Year</i>
Individual line telephones.....	\$21 00
Party line telephones.....	18 00
Toll of 10 cents for each 3 minutes from Williamsville to Springfield.	

It is further ordered, That the schedule of rates and charges herein authorized may become effective as of October 1, 1918, and that such schedule shall be filed, posted and published as provided in Section 34 of the Public Utilities Commission Act and General Order No. 28 (Conference Ruling No. 23)* of the Commission.

By order of the Commission, at Springfield, Illinois, this thirtieth day of September, 1918.

***In re* APPLICATION OF MEDORA TELEPHONE COMPANY FOR
AUTHORITY TO CHANGE RATES IN MEDORA AND VICINITY.**

Case No. 7916.

Decided October 1, 1918.

**Increase in Rates Authorized — 6 Per Cent. Fixed for Reserve for
Depreciation — 6.4 Per Cent. Fixed as Rate of Return.**

OPINION AND ORDER.

The application filed herein states that the Medora Telephone Company, of Medora, Illinois, is a public utility, engaged in the operation of a telephone system in Medora, Macoupin County, Illinois, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities now in effect in Illinois.

The rates of the petitioner, now in effect, are stated to be as follows:

	<i>Per Month</i>
Business, private line stations.....	\$1 50
Residence, private line stations.....	1 00
Party line stations.....	1 00

* See Commission Leaflet No. 54, p. 21.

The application asks for the issuance of an order authorizing the discontinuance of the rates now in effect and the placing in effect of the following:

	<i>Per Month</i>
Business, private line stations.....	\$1 75
Residence, private line stations.....	1 40
Residence, party line stations.....	1 25

The matter came on for hearing before the Commission on April 30, 1918. The Medora Telephone Company was represented by *Dr. J. E. Walton*, manager, Medora, Illinois; and no objectors to the proposed rates appeared. The petitioner introduced as exhibits, proof of publication of the application to increase rates and an income and expense statement for the year ending December 31, 1917.

The testimony shows that the rates now in effect do not provide revenue sufficient to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return. The petitioner was instructed to file a supplementary report for the record, giving the present distribution and classification of the subscribers' stations. This report was later received and shows that service is being given to approximately 300 subscribers, distributed and classified as follows:

Business stations, individual lines.....	25
Residence stations, individual lines.....	79
Residence stations, party lines.....	196
	<hr/> 300

The system in use is of the magneto type, with grounded circuits to the subscribers' stations. Immediate repairs, requiring the estimated expenditure of approximately \$300 in the rural portion of the plant, and of \$350 in the city, are necessary, in order that the service furnished may be more nearly in conformity with an acceptable standard.

No appraisal of plant was filed by the petitioner and an inventory and appraisal has been made, therefore, by the Commission's engineers. The cost to reproduce the phys-

C. L. 84]

ical portion of the property new, using units based upon average prices for labor and material for the five-year period, 1912-1916, inclusive, was found to be \$15,332, and the cost to reproduce new, less depreciation, on the same basis, was found to be \$10,441.

In connection with the inventory of the physical plant the Commission's engineers assigned normal lives to the several component parts of the plant. These were compiled into a table, from which the value of the annual depreciation occurring in the entire plant was found to be \$938.

The total annual operating expense for the year ending December 31, 1917, as reported by the petitioner, was \$3,377.11. While this amount includes a charge made to cover depreciation, testimony shows that no actual reserve for the purpose has ever been set up, although the company has been able to declare dividends regularly. Including an annual allowance to provide an adequate reserve against depreciation, as fixed by the Commission's engineers, the annual operating expense will be \$3,467.46.

The rates now in effect produce an annual operating revenue, exclusive of toll, of \$3,589.59, resulting in an annual operating net revenue of \$212.48. Should the present number of subscribers' stations be maintained, with the present distribution and classification, the proposed rates will produce a total annual operating revenue of approximately \$4,792. Deducting the same amount for taxes as the company annually paid in 1917, the probable exchange operating revenue, on this basis, is approximately \$4,722.

After carefully considering the method used in appraising the plant and all other factors involved, and making due allowance for the necessary working capital, the Commission is of the opinion, and finds, that a reasonable value of the property as of October 1, 1918, for rate-making purposes, is \$11,500.

The Commission is also of the opinion, and finds after careful consideration, that a sum equal to 6 per cent. of the cost to reproduce new the physical portion of the plant

should be set aside annually to provide a reserve against depreciation.

Since the rates proposed by the petitioner will produce an annual net income of approximately \$1,255, which is 10.9 per cent. of the value fixed for rate-making purposes, the Commission is of the opinion, and finds, that said proposed rates, insofar as they apply to the residence party line stations on grounded circuits, are not justified, but that a modification will produce a net increase in annual exchange operating revenue, exclusive of tolls, of approximately \$450, which is sufficient to permit of an annual allowance being set aside for a reserve against depreciation, pay operating expenses, and provide a reasonable return. Under the modified rate schedule, an estimated net annual income of approximately \$662, exclusive of toll, 6.4 per cent. of the value fixed for rate-making purposes, will be produced.

It is, therefore, ordered, That the petitioner, the Medora Telephone Company, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Medora and vicinity, and to substitute therefor the following modification of the proposed schedule, the same to become effective October 1, 1918:

	<i>Per Month</i>
Business stations, individual lines.....	\$1 75
Residence stations, individual lines.....	1 40
Residence stations, party lines.....	1 00

It is further ordered, That the petitioner set aside annually, as a reserve against depreciation, a sum equal to 6 per cent. of the cost to produce the physical portion of the plant new.

It is further ordered, That the schedule of rates authorized herein shall be filed, posted and published by the petitioner in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, and General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities

* See Commission Leaflet No. 54, p. 21.

C. L. 84]

Commission of Illinois; that it shall be known as I. P. U. C. No. 1, and shall become effective as of October 1, 1918.

By order of the Commission, at Springfield, Illinois, this first day of October, 1918.

In re APPLICATION OF LOMAX TELEPHONE COMPANY FOR
AUTHORITY TO CHANGE RATES IN LOMAX AND VICINITY.

Case No. 7918.

Decided October 1, 1918.

**Increase in Rates Authorized—Allowance for Going Concern Value
Made—6 Per Cent. Fixed for Reserve for Depreciation.**

OPINION AND ORDER.

The amended petition filed herein states that the Lomax Telephone Company, of Lomax, Illinois, is a public utility, engaged in the operation of a telephone system in Lomax, Henderson County, Illinois, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois.

The rates of the petitioner, now in effect, are stated to be as follows:

Business stations, per month.....	\$1 00
Residence stations, per month.....	50
Rural switching stations, party line, Lomax service only, per year	4 00
Rural switching stations, party line, Lomax, one of two exchanges connected, per year.....	2 00

The application asks for the issuance of an order authorizing the discontinuance of the rates now in effect and the placing in effect of the following:

	<i>Per Year</i>
Business, wall telephones, individual line, stations.....	\$21 00
Business, wall telephone, party line, stations.....	18 00
Residence, wall telephone, individual line, stations.....	18 00
Residence, wall telephones, party line, stations.....	15 00
Rates for business and residence stations payable quarterly and subject to a discount of 25 cents per month if paid on or before the fifteenth of the second month of the quarter in which the service is rendered.	
Business or residence extensions, wall telephone, stations....	5 00
Extension bells	2 00
Desk telephones, all classifications, stations, extra.....	2 00
Rural switching, party line, stations.....	6 00
Rural switching rate payable annually for period extending from January 1 to January 1, and subject to a discount of \$2.00 per annum if paid on or before March 31.	

The matter came on for hearing before the Commission on July 16, 1918. The Lomax Telephone Company was represented by *Mr. M. C. Coleman*, assistant manager, Lomax, Illinois, and no objectors to the proposed rates appeared. The petitioner introduced, as exhibits, a financial statement showing expense and revenue for the year ending March 31, 1918, and an inventory and appraisal of the property. Proof was submitted also that objections offered to the original petition had been withdrawn.

The testimony shows that the rates now in effect do not provide revenue sufficient to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return. Service was given in 1917 to approximately 184 subscribers, distributed and classified as follows:

Business stations, individual lines.....	10
Residence stations, individual lines.....	43
Rural stations, party lines.....	39
Rural switching stations, party lines, Lomax, one of two exchanges connected	92

The system in use is of the magneto type, with grounded circuits to the subscribers' stations.

The appraisal of the plant filed by the petitioner has been

C. L. 84]

checked, and the checked inventory appraised by the Commission's engineers. The cost to reproduce the physical portion of the property new, using units based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, was found to be \$2,710, and the cost to reproduce new, less depreciation, was found to be \$1,792.

In connection with the inventory of the physical plant, the Commission's engineers assigned normal lives to its several component parts. These were compiled into a table, from which the value of the annual depreciation now occurring in the entire plant was found to be \$163.

The total annual operating expenses for the year ending December 31, 1917, as reported by the petitioner, was \$1,043.55. Including an adequate annual allowance to provide reserve against depreciation, as fixed by the Commission's engineers, the annual operating expenses are \$1,206.55.

The rates now in effect produced, for the year ending December 31, 1917, an annual operating revenue, including toll, of \$732, resulting in an annual local operating net deficit of \$311.55. Making proper allowance for a reserve against depreciation, as fixed by the Commission's engineers, this deficit will be increased to \$474.55.

Should the present number of subscribers' stations be maintained under the probable distribution and classification, the proposed rates will produce a total annual operating revenue, including toll, of approximately \$1,346. Including a proper allowance to provide a reserve against depreciation, these rates will produce a return, over all expenses, of approximately \$139.45 per annum, which is 6.3 per cent. of the property value.

The Commission recognizes fully that the property of the petitioner constitutes an assembled and established plant in operation and earning money, with a list of subscribers, and that it has a value as such wholly different from the junk value, or the actual value of the physical portion, and that such going concern value is an actual

property right, to be duly considered in determining the value upon which petitioner may properly expect a fair return.

After carefully considering the method used in appraising the plant and taking into consideration every fact and circumstance bearing upon its value, and making due allowance for the necessary working capital, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in the village of Lomax, and the business attached thereto, including every element of value, tangible and intangible, as of October 1, 1918, for rate-making purposes, is \$2,200.

The Commission is also of the opinion, and finds, after careful consideration, that a sum equal to 6 per cent. of the cost to reproduce new the physical portion of the plant should be set aside annually to provide a reserve against depreciation.

It is, therefore, ordered, That the petitioner, the Lomax Telephone Company, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Lomax and vicinity, and to substitute therefor the following schedule:

	<i>Per Year</i>
Business, wall telephone, individual line, stations.....	\$21 00
Business, wall telephone, party line, stations.....	18 00
Residence, wall telephone, individual line, stations.....	18 00
Residence, wall telephone, party line, stations.....	15 00
Rates for business and residence stations payable quarterly and subject to a discount of 25 cents per month if paid on or before the fifteenth of the second month of the quarter in which the service is rendered.	
Business or residence extension, wall telephone, stations.....	5 00
Extension bells	2 00
Desk telephones, all classifications, stations, extra.....	2 00
Rural switching, party line, stations.....	6 00
Rural switching rate payable annually, for period extending from January 1 to January 1, and subject to a discount of \$2.00 per annum if paid on or before March 31.	

It is further ordered, That the petitioner set aside annually, as a reserve against depreciation, a sum equal

to 6 per cent. of the cost to reproduce the physical portion of the plant new.

It is further ordered, That the schedule of rates authorized herein shall be filed, posted and published by the petitioner in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, and General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois; that it shall be known as I. P. U. C. No. 1, and shall become effective as of October 1, 1918.

By order of the Commission, at Springfield, Illinois, this first day of October, 1918.

JOE HARRIS v. HAMILTON AND SALINE COUNTY TELEPHONE
COMPANY.

Case No. 7922.

Decided October 1, 1918.

**Restoration of Service upon Repair of Line Built and Maintained by
Subscriber, Ordered.**

OPINION AND ORDER.

The complaint filed herein charges that the respondent, a public utility operating a telephone system in Hamilton County, Illinois, has discontinued telephone service to the complainant. The complainant asks that an order be entered by the Commission requiring the respondent company to restore his telephone service. A hearing was held at Springfield on June 4, 1918.

From the evidence introduced at this hearing, it appears that the respondent has a rule which provides that to become a subscriber of the company, the applicant must build and maintain one-half mile of telephone line, said lines when constructed to be turned over to the company.

* See Commission Leaflet No. 54, p. 21.

The complainant complied with this requirement and in April, 1909, became a subscriber of the respondent and received service from the respondent from that time until the latter part of March, 1917, at which time the respondent notified the complainant that his line was not in proper repair and ordered him to rebuild his line by erecting new poles, wire, insulators and brackets. Upon the failure of the complainant to comply with this order, his telephone service was discontinued.

The reason given by the complainant for not rebuilding his line is that he was busy at the time and was unable to do the work. He states, however, that he is now willing to complete the work necessary to repair the line.

From an affidavit filed by the directors of the company it appears that the respondent is willing and ready to reinstate the complainant to all the privileges of a subscriber of the company on his compliance with its demand to rebuild his line.

The Commission is of the opinion that telephone service should be restored to the complainant by the respondent as soon as the complainant rebuilds his line as ordered by the respondent.

It is, therefore, ordered, That the Hamilton and Saline County Telephone Company shall restore to Joe Harris, complainant herein, the telephone connection and service of which he has been deprived, within five days from the date the said complainant, Joe Harris, completes the rebuilding of his one-half mile of line, and notifies the company.

It is further ordered, That the Hamilton and Saline County Telephone Company shall report to the Commission the date upon which said telephone service is restored.

By order of the Commission, at Springfield, Illinois, this first day of October, 1918.

C. L. 84]

In re APPLICATION OF H. A. BALL, DOING BUSINESS UNDER
THE NAME OF ARROWSMITH TELEPHONE COMPANY, FOR
AUTHORITY TO CHANGE RATES IN ARROWSMITH.

Case No. 8123.

Decided October 1, 1918.

Increase in Rates Authorized — Toll Revenues Included in Local Revenues, in View of Small Toll Plant Owned — Going Concern Value Allowed — 7.8 Per Cent. Fixed for Reserve for Depreciation.

OPINION AND ORDER.

The application filed herein states that the Arrowsmith Telephone Company, H. A. Ball, owner, of Arrowsmith, Illinois, is a public utility, engaged in the operation of a telephone system in Arrowsmith, McLean County, Illinois, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois.

The rates of the petitioner, now in effect, are stated to be as follows:

	<i>Per Month</i>
Business stations	\$1 50
Residence stations	1 25
Rural party line stations.....	1 25
Subject to a discount of 25 cents if paid during the month in which the service is rendered.	
	<i>Per Year</i>
Rural switching, party line.....	5 00

The application asks for the issuance of an order authorizing the discontinuance of the rates now in effect and the placing in effect of the following:

	<i>Per Month</i>
Business, individual line, stations.....	\$1 75
Residence, individual line, stations.....	1 50
Residence, four-party line, stations.....	1 25
Payable monthly, in advance, and subject to discount of 25 cents if paid during the month in which service is rendered.	
Rural, party line, stations.....	1 50
Payable quarterly, in advance, with a discount of 25 cents per month if paid during the first month of the quarter.	
	<i>Per Year</i>
Rural switching, party line.....	6 00
Rural switching, individual line.....	8 50
Payable semi-annually, in advance, with a discount of \$1.00 per year if paid during month in which statement is rendered.	

The matter came on for hearing before the Commission on June 5, 1918. The Arrowsmith Telephone Company was represented by *Mr. Frank Lingley*, attorney, Paxton, Illinois; and no objectors to the proposed rates appeared. The petitioner introduced, as exhibits, proof of publication of the application to increase rates, and a financial statement showing expense and revenue for the year ending December 31, 1917, and for the month of December in the year 1917. Petitioner was instructed to file inventory and appraisal of the property, which was later received and made part of the record.

The testimony shows that the rates now in effect do not provide revenue sufficient to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return. Service is being given to approximately 253 subscribers, distributed and classified as follows:

Business stations, individual lines.....	24
Residence stations, individual lines.....	74
Rural stations, party lines.....	92
Rural switching stations, party lines.....	62
Rural switching stations, individual lines.....	1

The system in use is of the magneto type, with grounded circuits to the rural subscribers' stations and metallic circuits for the city limits. Immediate installation of a new switchboard to provide needed facilities is necessary, in

C. L. 84]

order that the service furnished may be more nearly in conformity with an acceptable standard.

The appraisal of plant filed by the petitioner has been checked, and the checked inventory appraised by the Commission's engineers. The cost to reproduce the physical portion of the property new, using units based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, was found to be \$9,375, and the cost to reproduce new, less depreciation, on the same basis, was found to be \$7,467.

In connection with the inventory of the physical plant, the Commission's engineers assigned normal lives to its several component parts. These were compiled into a table, from which the value of the annual depreciation now occurring in the entire plant was found to be \$710.

The total annual operating expense for the year ending December 31, 1917, including non-operating revenue deductions, as reported by the petitioner, was \$3,325.25. This amount does not fully cover the item of general office salaries, however, as \$434.20, manager's salary, was reported as a working liability. Including the unpaid portion of the general office salaries, the total annual operating expense is \$3,759.45. While this amount includes a charge made to cover depreciation, the annual allowance made for this purpose by petitioner was less than that fixed by the Commission's engineers. Including an adequate annual allowance to provide reserve against depreciation, as fixed by the Commission's engineers, the annual operating expenses are \$3,869.45.

The rates now in effect produced, for the year 1917, an annual operating revenue, exclusive of toll of \$2,539.69, resulting in an annual local operating net deficit of \$536.29. Should the present number of subscribers' stations be maintained, with the proposed distribution and classification, the proposed rates will produce a total annual operating revenue, exclusive of toll, of approximately \$3,041.50.

The record shows, however, that petitioner owns very little long distance, or toll plant, and the substantial annual

revenue derived from long distance service furnished may properly be included in the local operating revenues for that reason. In 1917 the net revenue derived from furnishing long distance connection was \$864.79. The total annual operating revenue, therefore, under the proposed schedule of rates will be approximately \$3,906.29. This affords a probable net return in excess of all actual operating expenses, as shown by the record, of approximately \$146.84, about 1.4 per cent. per annum on the fair value of the property.

The Commission recognizes fully that the property of the petitioner constitutes an assembled and established plant in operation and earning money, with a list of subscribers, and that it has a value as such wholly different from the junk value, or the actual value of the physical portion, and that such going concern value is an actual property right, to be duly considered in determining the value upon which petitioner may properly expect a fair return.

After carefully considering the method used in appraising the plant and taking into consideration every fact and circumstance bearing upon its value, and making due allowance for the necessary working capital, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in the village of Arrowsmith, and the business attached thereto, including every element of value, tangible and intangible, as of October 1, 1918, for rate-making purposes, is \$10,600.

In view of the character of the construction used, and of the fact that a large portion of the plant is in condition requiring early repair, while other portions are now being rebuilt, the Commission is also of the opinion, and finds, after giving all of the related facts careful consideration, that a sum equal to 7.8 per cent. of the cost to reproduce new the physical portion of the plant, exclusive of land, should be set aside annually to provide a reserve against depreciation.

C. L. 84]

It is, therefore, ordered, That the petitioner, the Arrowsmith Telephone Company, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Arrowsmith and vicinity, and to substitute therefor the following schedule:

	<i>Per Month</i>
Business, individual line, stations.....	\$1 75
Residence, individual line, stations.....	1 50
Residence, four-party line, stations.....	1 25

Payable monthly, in advance, and subject to discount of 25 cents if paid during the month in which service is rendered.

Rural, party line, stations.....	1 50
----------------------------------	------

Payable quarterly, in advance, with a discount of 25 cents per month if paid during the first month of the quarter.

	<i>Per Year</i>
Rural switching, party line.....	6 00
Rural switching, individual line.....	8 50

Payable semi-annually, in advance, with a discount of \$1.00 per year if paid during the month in which statement is rendered.

It is further ordered, That the petitioner set aside annually, as a reserve against depreciation, a sum equal to 7.8 per cent. of the cost to reproduce the physical portion of the plant new. .

It is further ordered, That the schedule of rates authorized herein shall be filed, posted and published by the petitioner in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities and General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois; that it shall be known as I. P. U. C. No. 1, and shall become effective as of October 1, 1918.

By order of the Commission, at Springfield, Illinois, this first day of October, 1918.

* See Commission Leaflet No. 54, p. 21.

In re PROPOSED ADVANCE IN RATES IN MULBERRY GROVE AND
VICINITY OF THE MUTUAL TELEPHONE SYSTEM.

Case No. 8128.

Decided October 1, 1918.

**Increase in Rates Authorized — Valuation Based on Book Value — 7 Per
Cent. Fixed for Reserve for Depreciation.**

OPINION AND ORDER.

On April 25, 1918, the Mutual Telephone System, of Mulberry Grove, a corporation, filed with this Commission a schedule of rates, designated as I. P. U. C. No. 3 cancelling I. P. U. C. No. 2 governing rates for telephone service applying to Mulberry Grove and vicinity. It appearing that the Commission should enter upon a hearing in this matter, an order was entered on May 16, 1918, suspending the effective date of Schedule I. P. U. C. No. 3 from June 1, 1918, to September 28, 1918.

The lawful rates of the applicant now in force, as shown in Rate Schedule I. P. U. C. No. 2 are as follows:

	<i>Per Year</i>
Individual line business telephones.....	\$12 00
Two-party line telephones, business and residence on same line.	24 00
Individual line residence telephones.....	12 00
Multi-party line rural telephones.....	12 00
Switching charge for rural lines.....	4 00

	<i>Per Call</i>
Service over lines to non-subscribers.....	10

Service to all between the hours of 9:00 P. M. and 4:00 A. M. will be subject to a charge of 10 cents per call; calls for doctor or cases of emergency free at all hours.

Rates on long distance may be had on application from operator.

Business, residence and rural telephone rentals payable monthly in advance. Switching charges payable quarterly in advance.

Messenger fees will be charged for all parties wanted not having a telephone.

The rates proposed in Schedule I. P. U. C. No. 3 are as follows:

C. L. 84]

	<i>Per Year</i>
Individual line in village, business.....	\$21 00
Individual line in village, residence.....	18 00
Party line in village (not to exceed 4 telephones on line)....	15 00
Multi-party line (rural).....	15 00
Switching charges for rural lines.....	5 00

	<i>Per Call</i>
Service over lines to non-subscribers.....	10

	<i>Per Month</i>
Desk telephone (extra over above charges).....	15
Call bell (extra over above charges).....	15

The above rates are per telephones, as classified.

Telephone rentals in village payable monthly. If paid within the month in which they are due, a discount of 25 cents per telephone, per month, will be allowed.

Rural telephone rentals payable quarterly, at the office of the company. If paid within the quarter in which they are due, a discount of 75 cents per quarter will be allowed.

Switching charges payable annually, at the office of the company. If paid before July 1 of each year, a discount of \$1.00 per telephone will be allowed.

Long distance telephone rates may be had on application from operator.

Messenger fees will be charged for all parties wanted not having a telephone.

Telephone service between the hours of 9:00 P. M. and 4:00 A. M. will be subject to a charge of 10 cents per call; calls for doctor or cases of emergency free to subscribers at all hours.

This matter came on for hearing before the Commission, at Springfield, June 4, 1918, at which time *Mr. F. A. De Moulin*, secretary and treasurer, appeared for the company; no one appeared objecting. No proof of publication of the proposed increase in rates was filed, as required by the Commission, because of the fact that the former editor of the local paper is now in the service in France, but the record shows that the subscribers affected by the proposed change were notified as to the proposed increase in rates and also in regard to the date and place of hearing.

It appears from the testimony that the Mutual Telephone System, of Mulberry Grove, has been incorporated since December, 1905. The system was serving 18 single party

business subscribers, 72 single party residence subscribers, 12 two-party residence subscribers, and 177 rural multi-party subscribers on December 31, 1917.

No appraisal was filed by the petitioner but testimony shows that the officers of the company value the plant and equipment at approximately \$8,000. The book value of the entire property, including buildings, materials and supplies, and working capital, as shown by the annual report for the year ending December 31, 1917, on file with the Commission, is \$10,132.49.

After carefully considering the size of the plant and all other factors, the Commission is of the opinion, and finds, that a fair value for the property, for rate-making purposes, is \$10,130.

No amount has been set aside in the past to meet current depreciation, but the record shows that a debt against the property, amounting to \$1,750, has been paid off in the last two years. This debt was paid out of operating expenses and the indications are that during that period the current maintenance was almost entirely neglected. In order to provide a depreciation reserve, the Commission considers that an amount equal to 7 per cent. upon the book value of the property should be set aside annually. This amounts to \$709.24.

The annual report, which was made a part of the record, sets up operating expenses for the year ending December 31, 1917, of \$3,348.45. A sworn statement filed September 13, 1918, shows that the expenses properly assignable to operating for the six months' period ending June 30, 1918, amounts to \$1,193.62. The record, therefore, indicates that a fair annual operating expense, exclusive of depreciation, would be \$3,028. Taxes for the year 1918 amount to \$65.85. In order to meet the necessary operating expenses, including depreciation, and provide for taxes, the operating revenues should equal \$3,803.14.

The record is not clear as to operating revenues; but assuming the number of stations in service December 31, 1917, to be a fair indication as to the number of subscribers

C. L. 84]

in the future, the proposed rates will yield \$3,672 per annum. To this amount should be added a sum of \$256.17 for toll revenue, \$40.00 for switching revenue, and \$22.22 for miscellaneous revenue, making a total yearly operating revenue of \$3,990.39. This would provide only enough revenue to meet the necessary expenses, provide for taxes, allow an adequate depreciation reserve, and give a return of 1.9 per cent. upon the fair value of the property. While this return is low, the Commission considers that economical management and the ordinary extension of the service will, in the future, provide a higher return. Therefore, the Commission is of the opinion, and finds, that Schedule I. P. U. C. No. 3 as proposed by the Mutual Telephone System, of Mulberry Grove, is justified.

It is, therefore, ordered, That a suspension order, effecting Schedule I. P. U. C. No. 3 superseding Schedule I. P. U. C. No. 2, of the Mutual Telephone System, of Mulberry Grove, dated May 16, 1918, be, and the same is hereby, vacated as of September 28, 1918, and that said schedule I. P. U. C. No. 3 be established and become effective on that date.

By order of the Commission, at Springfield, Illinois, this first day of October, 1918.

In re APPLICATION OF FARMERS TELEPHONE COMPANY OF
HOPEDALE FOR AN INCREASE IN RATES AT HOPEDALE AND
VICINITY, ETC.

Case No. 8297.

Decided October 1, 1918.

**Increase in Rates Authorized — 7.1 Per Cent. Fixed for Reserve for
Depreciation — Toll Rates in Lieu of Free Interexchange
Service Authorized.**

OPINION AND ORDER.

The application filed herein states that the Farmers Telephone Company, of Hopedale, Illinois, is a public utility,

engaged in the operation of a telephone system in Hopedale, Tazewell County, Illinois, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois.

In the application petitioner asks for an order authorizing an increase in telephone rates at Hopedale and vicinity, and the establishment of a toll rate in lieu of free service between Hopedale and Minier, Tremont and Armington. The application further states that the telephone rates now in effect in Hopedale and vicinity do not provide sufficient revenue to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return.

It is further stated that the present long distance connection between the telephone system of the petitioner and the villages of Minier, Tremont and Armington is free to the petitioner's subscribers, as well as to the subscribers of the telephone companies operating in the three villages named. This free long distance service results in a heavy telephone traffic of social and business calls between Hopedale and the villages of Minier, Tremont and Armington, causing serious congestion and delay. For this reason the present service is inadequate for the requirements of those subscribers who are both willing and able to pay for the use of the circuits involved, in order to secure prompt and reliable service on essential business and social calls.

Such free long distance service also imposes an additional burden upon subscribers of the petitioner who are not long distance users, in that the expense of maintaining and operating the circuits, since the service is free, is merged with the operating expenses of the local exchange equipment. The establishment of a charge for the use of these long distance circuits will make it possible to provide for their maintenance and operation from revenue supplied by the public employing them and paying for the service, thus eliminating the burden from that portion of the telephone using public whose requirements do not include long distance lines.

C. L. 84]

The rates of the petitioner, now in effect, are stated to be as follows:

	<i>Per Year</i>
Business telephones	\$15 00
Residence telephones	15 00
Extension telephones, business or residence.....	7 50
Extension bells, business or residence.....	3 00
Rural party line.....	15 00

Toll connections between Hopedale, Minier, Tremont and Armington free.

The application asks for the issuance of an order authorizing the discontinuance of the present rates and the placing in effect of the following:

	<i>Per Year</i>
Individual line business telephone.....	\$27 00
Two-party line business telephone.....	24 00
Individual line residence telephone.....	21 00
Two-party line residence telephone.....	18 00
Extension telephones, business or residence.....	6 00
Extension bells, business or residence.....	3 00
Extra listing of name in directory.....	3 00
Rural party line telephone.....	21 00

Lodges, club rooms, public and parochial schools, churches, hospitals and other charitable institutions are classified as residences.

Extra Mileage:

	<i>Per Year</i>
Individual line, per quarter mile or fraction thereof.....	\$4 00
Two-party line, per quarter mile or fraction thereof, for each subscriber	2 25

A discount of 25 cents per month applies to the rates for business and residence telephones, exclusive of extension telephones, if payment is made monthly, at the office of the company, on or before the fifteenth day of the current month.

A discount of 25 cents per month applies to the rates for rural telephones, if payment is made quarterly, at the office of the company, on or before the fifteenth day of the second month of the current quarter. The term "current quarter" as used herein, shall be construed to mean a three months' period, beginning January 1, April 1, July 1, and October 1 of each year.

Authority is also asked to place in effect the following schedule of toll rates in lieu of the present free service:

Hopedale to Tremont.....	10c
Hopedale to Minier.....	10c
Hopedale to Armington.....	10c
Minier to Hopedale.....	10c
Tremont to Hopedale.....	10c
Armington to Hopedale.....	10c

The matter came on for hearing before the Commission on July 16, 1918. The Farmers Telephone Company was represented by *Ben B. Boynton*, attorney, Springfield, Illinois, and no objectors to the proposed rates appeared. The petitioner introduced, as exhibits, proof of publication of the application to increase rates, an inventory and appraisal of the property, a statement of the income account for two years and six months ending December 31, 1917, a copy of the balance sheet as of December 31, 1917, a tabulation of connected telephone stations showing the classification as of June 1, 1918, and a comparative statement of the present and proposed revenues. The record shows that the petitioner is serving a total of 318 stations, distributed and classified as follows:

Individual business	25
Two-party business	2
Individual residence	80
Two-party residence	2
Business extensions	1
Pay stations	1
Free telephones	2
Rural party line stations.....	205

An inventory and appraisal has been checked by the Commission's engineers and their report made a part of the record, by stipulation. The reproduction cost new of the physical portion of the plant was found to be \$21,000 and the reproduction cost new, less depreciation, of the physical portion of the plant \$12,075.

In making an appraisal of the plant, the Commission's engineers assigned normal lives to the several component

C. L. 84]

parts. These were compiled into a table, from which the total value of the depreciation annually occurring in the entire plant was found to be \$1,489. The record shows that the average annual operating expenses over a period of two years and six months ending December 31, 1917, are \$4,889.35. Including an allowance to provide an adequate reserve against depreciation as it has been found to occur by the Commission's engineers, the average annual operating expense, based upon a two and one-half year period, is approximately \$5,104.

The rates now in effect produce an annual average operating revenue, including toll and based upon a period of two years and six months ending December 31, 1917, of approximately \$4,585. The probable distribution and classification of subscribers, should the proposed rates be placed in effect, is shown below:

ESTIMATED DISTRIBUTION OF SUBSCRIBERS.

Individual business telephones.....	25
Two-party	2
Individual residence	50
Two-party residence	32
Business extensions	1
Pay stations	1
Free telephones	2
Rural party line telephones.....	205

With the distribution and classification of subscribers shown, the proposed rates will produce a probable total annual operating revenue, including the average toll revenue for two and one-half years ending December 31, 1917, of approximately \$6,120. Deducting the same amount for taxes as the company actually paid in 1917, the probable net operating revenue, on this basis, is approximately \$6,024.

Operations of the company, as shown by the average revenues and average operating expenses for the two and one-half year period ending December 31, 1917, result in a deficit of \$386.61 per annum. Should the proposed rates be placed in effect, and a suitable allowance to provide a

reserve against depreciation be made, together with the other average operating expenses shown by the record to have been incurred, a net annual income of approximately \$920 will be produced. Income and expense analyses under present conditions are shown in table of operating revenues and expenses, together with an estimate of the probable operating expense that will be incurred in the next year.

TABLE OF OPERATING REVENUES AND EXPENSES.

	Six Months Ending December 31			Yearly Average	Twelve Months' Period, Revenues and Expenses Estimated
	1915	1916	1917		
Revenue:					
Exchange revenue.....	\$2,156 50		\$4,431 06	\$4,391 70	\$5,718 00
Toll revenue.....	301 78		300 96	401 84	401 84
TOTAL REVENUE.....	\$2,458 28	\$4,273 23	\$4,732 02	*\$4,585 46	\$6,119 84
Maintenance Expense:					
Repairs wire plant.....	518 91	1,100 00	679 81	919 48	920 00
Repairs equipment.....	38 29	67 45	498 21	241 58	445 20
Station removals and changes.....		47 50	14 23	30 87	79 50
Depreciation.....	723 39	1,188 69		1,274 72	1,489 00
Other maintenance expense.....	2 45	394 07		264 34	159 00
Traffic Expense:					
Operators' wages.....	448 00	850 00	867 73	870 30	1,020 00
Other traffic expense.....	281 28		83 60	243 26	78 50
General Expense:					
General office salaries.....	300 00	300 00	1,099 46	679 78	900 00
Other general expense.....	96 19		451 34	365 02	365 00
TOTAL TELEPHONE OPER- ATING EXPENSE.....			\$3,694 38	\$4,889 35	\$5,456 20
TOTAL EXCHANGE REV- ENUE.....				4,391 70	5,718 00
Deductions, taxes.....	28 08		96 00	82 72	96 00
NET OPERATING INCOME.....			\$941 64		\$567 64
Telephone operating expense, plus taxes.....			3,790 38	\$4,972 07	5,552 20
DEFICIT.....				386 61	

* An error is apparent.

After carefully considering the method used in appraising the plant and all other factors involved, and making

C. L. 84]

due allowance for the necessary working capital, the Commission is of the opinion, and finds, that a reasonable value of the property as of October 1, 1918, for rate-making purposes, is \$14,700. The Commission is also of the opinion, and finds, after careful consideration, that a sum equal to 7.1 per cent. of the cost to reproduce new the physical portion of the plant should be set aside annually to provide a reserve against depreciation.

Giving due consideration to the impairment of service caused by congestion on the present free service circuits between Hopedale and the villages of Minier, Tremont and Armington, the Commission is also of the opinion, and finds, that the present practice of furnishing free service is productive, in this case, of virtual inadequacy for essential traffic, inferior service, and an undue burden upon the non-toll using portion of the petitioner's subscribers.

It is therefore, ordered, That the petitioner, Farmers Telephone Company, of Hopedale, be, and the same is hereby, authorized to discontinue the schedule of rates for telephone service now in effect for Hopedale and vicinity and to substitute in lieu thereof the following schedule:

	<i>Per Year</i>
Individual line business telephone.....	\$27 00
Two-party line business telephone.....	24 00
Individual line residence telephone.....	21 00
Two-party line residence telephone.....	18 00
Extension telephone, business or residence.....	6 00
Extension bells, business or residence.....	3 00
Extra listing of name in directory.....	3 00
Rural party line telephone.....	21 00

Lodges, club rooms, public and parochial schools, churches, hospitals and other charitable institutions are classified as residences.

<i>Extra Mileage:</i>	<i>Per Year</i>
Individual line, per quarter mile or fraction thereof.....	\$4 00
Two-party line, per quarter mile or fraction thereof, for each subscriber	2 25

A discount of 25 cents per month applies to the rates for business and residence telephones, exclusive of extension telephones, if payment is made monthly at the office of the company, on or before the fifteenth day of the current month.

A discount of 25 cents per month applies to the rates for rural telephones, if payment is made quarterly at the office of the company, on or before the fifteenth day of the second month of the current quarter. The term "current quarter," as used herein, shall be construed to mean a three months' period, beginning January 1, April 1, July 1, and October 1 of each year.

It is further ordered, That the petitioner be, and the same is hereby, permitted to discontinue the present free long distance service between Hopedale and Minier, Tremont and Armington and to place in effect a charge of 10 cents per message for toll messages between Hopedale and the villages named.

It is further ordered, That the schedule of rates authorized herein shall be filed, posted and published by the petitioner in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois, and that it shall be known as I. P. U. C. No. 1, and that it shall become effective as of October 1, 1918.

By order of the Commission, at Springfield, Illinois, this first day of October, 1918.

MYER J. STEIN v. CITY OF CHICAGO AND CHICAGO TELEPHONE COMPANY.

Case No. 5285.

Decided October 14, 1918.

Extension of Time Within Which to File a Schedule of Rates Previously Ordered, Granted Pending an Appeal to the Courts.

FIRST SUPPLEMENTAL ORDER.

This was a complaint filed with the Commission as to the services and rates rendered and charged, respectively, by the Chicago Telephone Company in the city of Chicago and neighboring communities and municipalities.

* See Commission Leaflet No. 54, p. 21.

C. L. 84]

The case was heard in February, 1918, and on July 15, 1918, an order* was entered which found that the city ordinances of the city of Chicago were not binding upon the Chicago Telephone Company, or other persons, or corporations, in the matter of telephone rates and charges to be made by the Chicago Telephone Company, and ordered that the Chicago Telephone Company within ninety days from the service of such order, file with this Commission a schedule of reasonable rates both for rental and toll services, eliminating therefrom all discrimination of any kind as against individuals, communities or municipalities. Subsequent to the entering of this order* an appeal from same was taken by the city of Chicago to the Sangamon County Circuit Court and a motion made by the city for a stay of said order. This appeal and motion has been set for hearing in said Circuit Court of Sangamon County on October 21, 1918, which will be a date subsequent to the expiration of the ninety days above mentioned in which the Chicago Telephone Company is required by the order of this Commission to file its schedule of rates. In consequence thereof, the Chicago Telephone Company has requested an extension of thirty days in which to file such schedule.

The Commission having fully considered the facts, and being fully advised in the premises, doth find that the request of the Chicago Telephone Company ought to be granted.

It is, therefore, ordered by the Public Utilities Commission, That the time in which the Chicago Telephone Company is required to file its schedule of rates and charges with this Commission by the order* of the Commission dated July 15, 1918, be, and the same is hereby, extended thirty days from October 15, 1918, to November 15, 1918.

By order of the Commission, at Springfield, Illinois, this fourteenth day of October, 1918.

* See Commission Leaflet No. 81, p. 827. The order was set aside by the Sangamon County Circuit Court, upon the appeal, in November, 1918.

In re APPLICATION OF IDEAL TELEPHONE EXCHANGE FOR
AUTHORITY TO CHANGE RATES FOR SERVICE IN YATES
CITY AND VICINITY, AND IN DOUGLAS AND VICINITY, KNOX
COUNTY.

Case No. 8341.

Decided October 14, 1918.

Increase in Rates Authorized — Toll Revenues Included in Local Revenues in View of Small Toll Plant Owned — Going Concern Value Allowed — 6.9 Per Cent. Fixed for Reserve for Depreciation.

OPINION AND ORDER.

The application filed herein states that the Ideal Telephone Exchange is a public utility, engaged in the operation of a telephone system in Yates City and vicinity, and Douglas and vicinity, Knox County, Illinois, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois.

The present rates of the petitioner are stated to be as follows:

	<i>Per Year</i>
Business stations, party line.....	\$15 00
Residence stations, party line.....	15 00
Rural stations, party line.....	15 00
Desk telephones, all classifications, extra.....	3 00
Extension bells	3 00
Extension wall set telephones.....	6 00
Extension desk set telephones.....	9 00

Above rates are based upon fifteen hours' service summer time, and fourteen and one-half hours' service winter time, excepting Sundays, which is ten hours.

The application asks for the issuance of an order authorizing the discontinuance of the rates now in effect and the placing in effect of the following:

C. L. 84]

	<i>Per Year</i>
Business, wall telephone, individual line, stations.....	\$24 00
Business, wall telephone, two-party line, stations.....	21 00
Residence, wall telephone, individual line, stations.....	21 00
Residence, wall telephone, four-party line, stations.....	18 00
Business or residence extension wall telephone, stations.....	6 00
Extension bells	3 00
Desk telephones, all classifications, stations, extra.....	3 00
Rural, party line, stations.....	21 00

All business and residence telephone rates subject to a discount of 25 cents per month if paid on or before the fifteenth of the month in which the service is rendered.

Above are based upon twenty-four hours' continuous service.

The matter came on for hearing before the Commission on July 23, 1918. The Ideal Telephone Exchange was represented by *Mr. H. B. Gash*, Yates City, Illinois, and no objectors to the proposed rates appeared. The petitioner introduced, as exhibits, a financial statement showing expense and revenue for the six months ending June 30, 1918, and an inventory and appraisal of the property.

The testimony shows that the rates now in effect do not provide revenue sufficient to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return. The service furnished is classified as follows, and includes the operation of approximately 239 telephone instruments:

Business stations, individual lines.....	20
Business stations, two-party lines.....	8
Residence stations, individual lines.....	2
Residence stations, two-party lines.....	32
Residence stations, three-party lines.....	36
Residence stations, four-party lines.....	16
Rural stations, four-party lines.....	4
Rural stations, multi-party lines.....	117
Extension sets, desk.....	1
Desk telephones	3
	<hr/>
	239
Extension bells	2

The system in use is of the magneto type, with metallic circuits to the subscribers' stations, with very few exceptions.

The appraisal of plant filed by the petitioner has been checked, and the checked inventory appraised by the Commissioner's engineers. The cost to reproduce the physical portion of the property new, including materials and supplies, and using units based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, was found to be \$16,589, and the cost to reproduce new, less depreciation, was found to be \$14,788.

In connection with the inventory of the physical plant, the Commissioner's engineers assigned normal lives to its several component parts. These were compiled into a table, from which the value of the annual depreciation now occurring in the entire plant was found to be \$1,156. The total annual operating expense for the six months ending June 30, 1918, as reported by the petitioner, was \$1,523.87. This amount, however, includes an allowance to provide reserve against depreciation of only \$194.10. Including an adequate annual allowance to provide reserve against depreciation, as fixed by the Commission's engineers, the annual operating expenses are \$3,815.54.

The record shows that the petitioner owns very little long distance or toll plant, and the annual revenue derived from long distance furnished may properly be included in local operating revenues for that reason. The rates now in effect produced, for the six months ending June 30, 1918, an operating revenue, including toll, of \$1,548.70, resulting in an operating profit, on the basis of expenses as reported, for the six months' period, of \$24.83. Making an adequate allowance for a reserve against depreciation, as fixed by the Commission's engineers, this will become an annual deficit of approximately \$718.

The Commission recognizes fully that the property of the petitioner constitutes an assembled and established plant in operation and earning money, with a list of subscribers,

C. L. 84]

and that it has a value as such wholly different from the junk value, or the actual value of the physical portion, and that such going concern value is an actual property right, to be duly considered in determining the value upon which petitioner may properly expect a fair return.

After carefully considering the method used in appraising the plant, and taking into consideration every fact and circumstance bearing upon its value, and making due allowance for the necessary working capital, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in the villages of Yates City and Douglas and vicinities, and the business attached thereto, including every element of value, tangible and intangible, as of August 1, 1918, for rate-making purposes, is \$16,750.

Should the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rates, the total annual operating revenue, including toll, will be approximately \$4,480. Including a proper allowance to provide a reserve against depreciation in the operating expense, these rates will produce a return, over all expenses, of approximately \$674 per annum, which is 2.5 per cent. of the fair property value as a basis for rate-making.

The Commission is also of the opinion, and finds, after careful consideration, that a sum equal to 6.9 per cent. of the cost to reproduce new the physical portion of the plant should be set aside annually to provide a reserve against depreciation.

It is, therefore, ordered, That the petitioner, the Ideal Telephone Exchange, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Yates City and vicinity, and Douglas and vicinity, and to substitute therefor the following schedule:

	<i>Per Year</i>
Business, wall telephone, individual line, stations.....	\$24 00
Business, wall telephones, two-party line, stations.....	21 00
Residence, wall telephone, individual line, stations.....	21 00
Residence, wall telephone, four-party line, stations.....	18 00
Business or residence extension wall telephone, stations.....	6 00
Extension bells	3 00
Desk telephones, all classifications, stations, extra.....	3 00
Rural, party line, stations.....	21 00

All business and residence telephone rates subject to a discount of 25 cents per month if paid on or before the fifteenth of the month in which the service is rendered.

Above rates are based upon twenty-four hours' continuous service.

It is further ordered, That the petitioner set aside annually, as a reserve against depreciation, a sum equal to 6.9 per cent. of the cost to reproduce the physical portion of the plant new.

It is further ordered, That the schedule of rates authorized herein shall be filed, posted and published by the petitioner in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities and General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois; that it shall be known as I. P. U. C. No. 1, and shall become effective as of November 1, 1918.

By order of the Commission, at Springfield, Illinois, this fourteenth day of October, 1918.

In re APPLICATION OF HOMER ELECTRIC LIGHT AND POWER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT AND OPERATE AN ELECTRIC TRANSMISSION LINE NEAR THE CITIES OF FAIRMOUNT AND LYONS, COUNTY OF VERMILION.

Case No. 8518.

Decided October 22, 1918.

Inductive Interference with Telephone Line in the Construction of an Electric Transmission Line, Ordered Eliminated.

Applicant sought a certificate of convenience and necessity to construct and operate a 13,000 volt transmission line. The Receivers of Central

* See Commission Leaflet No. 54, p. 21.

C. L. 84]

Union Telephone Company objected to the construction of this transmission line along a road on which it has its telephone lines, and upon whose poles are also carried the circuits of Vermilion County Telephone Company and those of American Telephone and Telegraph Company.

Held: That the certificate of convenience and necessity should be authorized, but that the transmission line should not be constructed so as to interfere by induction with the circuits of the Central Union company, and it was suggested that another road be used, although such route would be 3 miles out of the way, and would demand an additional cost of \$3,000;

That the construction of the transmission line is likely to cause difficulty in the efficient operation of telephone circuits in violation of the rules prescribed by the Commission in its General Order No. 30.* Circuits of this character are important at any time, and they are particularly important under present conditions when means of rapid and efficient communication are of vital import to national interests.

OPINION AND ORDER.

On August 26, 1918, the Homer Electric Light and Power Company by J. M. Capel, its manager, made application to the Commission setting forth that it is duly incorporated under the laws of the State of Illinois, that it desires to engage in the business covered by this application as is fully covered by its charter, that it desires to construct and operate a 13,000 volt transmission line from the village of Fairmount to the village of Lyons, to connect with the transmission line of the Danville Street Railway and Light Company, for the purpose of securing electric current for its distribution system in the villages of Homer, Sidney and Fairmount, and desires further to transact a general business of rendering electric service in the vicinity along the route of the proposed transmission line. The petitioner sets forth that the nearest public utility other than municipal now rendering service in proximity to the above described locality is operated by the Danville Street Railway and Light Company, and the nearest point of such service is at Lyons.

On September 4, 1918, C. H. Rottger, general manager for the Receivers of the Central Union Telephone Company, addressed the Commission, stating that the issuance of the

* See Commission Leaflets No. 61, p. 177; No. 64, p. 897, and No. 73, p. 32.

certificate would involve the Central Union Telephone Company in a 15-mile parallel, and that the Central Union Telephone Company is very much interested in keeping its toll circuits clear of inductive interferences as well as high tension crossings, and asking for notification before the issuance of the certificate.

Hearings in this cause were held at the offices of the Commission in Springfield on September 5, 1918, and September 27, 1918. At these hearings *T. E. Hughes*, president, appeared on behalf of the Homer Electric Light and Power Company, the petitioners herein. *O. M. Burgess*, *F. R. Atwood*, and *H. O. Saunders* appeared representing the Receivers of the Central Union Telephone Company, the objectors. At these hearings, testimony was introduced on behalf of the petitioner and the objectors as to the reasons for the construction herein proposed, the results which would be accomplished by it, the characters of various routes over which it is contemplated that the proposed line shall be built, difficulties which would be encountered by the objectors if the certificate for the construction were issued over the route as contemplated by the petitioners, and regarding other facts pertinent to the issue.

The Homer Electric Light and Power Company is engaged in rendering electric utility service in Homer and Sidney, both in Champaign County, and, acting under authority given by a certificate of convenience and necessity issued by the Commission in Case No. 7698, has proceeded with the construction of an electric transmission line operating at 13,000 volts, between Homer and Fairmount. Under the present proceeding the petitioner desires to extend this transmission line from Fairmount to Lyons, there to connect with the circuits of the Danville Street Railway and Light Company for the purpose of receiving an energy supply for its system, and with the idea of displacing, at least for regular operation, its steam generating plant at present located in Homer. As a reason for its desire to construct this line the petitioner states that it would be of advantage to it to discontinue the operation of its steam

C. L. 84]

generating station in Homer from the standpoint of the money saving which will be involved, that by means of the proposed construction the petitioner will be in a position to render 24-hour electric service in the communities which it supplies, and that the United States Fuel Administration by its local representative has indicated its wish that the operation of the steam generating station be discontinued for reasons of fuel and general labor conservation.

These facts appear to indicate that public convenience and necessity require the construction of this line from Fairmount to Lyons and regarding these facts and issues, the objectors raise no contention.

In constructing this line the petitioner proposes to follow a route between Fairmount and Lyons which is described in the testimony as the North Road. This road is a well maintained, hard surface roadway for a large portion of the distance. Along this road the Receivers of the Central Union Telephone Company are operating a telephone line, and upon the same poles are carrying the circuits of the Vermilion County Telegraph Company and the American Telephone and Telegraph Company. Telephone circuits along this route are used partially for local and farmer service and partially for long distance service. Testimony indicates that some of these circuits form a connecting link for the circuits used in long distance traffic between Champaign, Rantoul and other connecting points, to Chicago and east to the Atlantic coast. Circuits of this character, while important at any time, are particularly important under the present conditions when means of rapid and efficient communication are of vital import to national interests. The proposed transmission line can be constructed upon the opposite side of the highway at a minimum horizontal clearance of 45 feet. The testimony of the objectors indicates that the clearance available along this route will not be sufficient to insure the protection of the telephone circuits from inductive disturbances caused by the electric transmission lines. The voltage of the transmission line at present proposed is 13,000 volts

and it will be operated single-phase, although it is contemplated that the line may later be made three-phase. The distance over which this condition of parallel will exist between Fairmount and Lyons is 7 miles. The transmission line between Homer and Fairmount, which is already in the process of construction in accordance with the authority of the Commission, will also parallel these same telephone circuits for an additional distance of 7 miles, making a total distance of parallel, should the construction be carried out as contemplated, of 14 or 15 miles. The objectors state that in their opinion the parallel between Homer and Fairmount already in the process of construction can be satisfactorily cared for so far as interference to the telephone circuits are concerned, but that the additional parallel is very likely to cause interference to an extent which will make the telephone circuits uncommercial, at least until extensive rearrangements and transpositions have been made.

It is suggested by the objectors that a route designated as the South Road may be used between Fairmount and Lyons, which will remove the transmission line sufficiently from the objectors' circuits to relieve the probability of difficulty. Testimony indicates that the character of this road is not as good as the North Road, that the length of the route for the transmission line will be approximately 3 miles longer, and that certain telephone circuits upon the South Road might be interfered with for a distance of parallel which would exist of about $1\frac{1}{2}$ miles. Testimony indicates that these circuits are probably owned by the Vermilion County Telephone Company and that they carry principally only local and farmer circuits. The petitioner objects to routing its circuits along the south road on account of the greater distance involved, the fact that it would necessitate the construction of the line through Fairmount where turns and trees would be encountered, and on account of an alleged difficulty in patrolling the line due to the poor character of the roads. The additional cost which would be involved appears to be in the neighborhood of

\$3,000 at the present time, and this cost might be later increased by some \$1,000 if it should be later desired to make this transmission line three-phase instead of single-phase.

The Commission has expressed its opinion in matters of this nature in other cases, and also in its General Order No. 30 *Establishing Rules for Overhead Electrical Construction*,* issued October 12, 1916, and amended February 12, 1917. In this General Order No. 30, Section 7, there are set forth general recommendations for the construction and operation of supply systems and signal systems whose lines are involved in parallels. Paragraph 705 of these rules sets forth certain limits of length, separation, and other characteristics of a parallel between signal and supply circuits, within which serious inductive interference is likely to result. The construction of the transmission line in question clearly comes within these limits as being likely to cause difficulty to the efficient operation of the telephone circuits. Paragraphs 205 and 206 to which frequent reference is made in the testimony are as follows:

" 205. Location of Paralleling Circuits.

When new lines are projected which will parallel existing lines of other utilities on the same street, highway, or alley, the new construction shall, unless joint construction is used, be located, where practicable, on the opposite side of the street, or other way, from that occupied by the existing lines; or be routed elsewhere if a second route is available.

206. Avoidance of Parallels and Interference Between Signal Lines and Supply Lines.

a. Supply circuits are liable to interfere mechanically or electrically with the operation of signal circuits in cases where the two classes of circuits run parallel for any considerable distance, or in other cases where they come into close proximity to each other, unless due consideration and care be given to the location and methods of constructing and operating both the supply and signal circuits.

b. Every reasonable effort shall be made to avoid new parallels. Any utility proposing to construct a new signal or supply line which will create a parallel, or generally to reconstruct an existing line involved in

* See Commission Leaflets No. 61, p. 177; No. 64, p. 897, and No. 73, p. 32.

a parallel (except in case of emergency) shall give ten days' notice (or thirty days' notice whenever practicable) of its intentions to carry on such work, to the utilities affected, including detailed information as to the location and character of the work proposed. If a plan can be devised and agreed upon by the utilities for maintaining a separation between the supply lines and the signal lines which will be adequate to avoid interference, this shall be done. It is understood that Class B supply lines will not usually cause troublesome interference to metallic telephone circuits provided both lines are well constructed. However, the possibility of such interference should not be overlooked.

c. In case it is impracticable to secure adequate separation between the supply lines and signal lines, the parties in interest shall endeavor to agree upon a method of construction and operation to be followed which will reduce all disturbance to a minimum. The provisions of Section VII of these rules are recommended for consideration in this connection. In cases where the parties are unable to reach an agreement the matter shall be referred to this Commission for adjustment.

d. In any case where, because of unusual conditions, it is impracticable to prevent interference between supply circuits and signal circuits by reasonable precautions, or by alterations in the methods of construction and operation of both the supply and signal lines, a wider separation between the supply lines and signal lines shall be effected."

In dealing with cases of possible or actual interference between supply lines and signal lines, each individual case must be handled separately, for the reason that conditions differ so widely, and it was for this reason that the rules of the Commission, as above set forth, laid down certain fundamental principles rather than entered into detailed specifications for line construction of this character in which these difficulties were involved. It might be said that all cases of inductive interference might be avoided through the selection of other routes for the second line whose construction would bring about the interference, since it is obviously possible in any case which might be conceived, to locate the route sufficiently removed from the initial line to obviate the difficulty. Apparently such a holding of general character would be unjust and unreasonable since it would oftentimes cause extreme lengths of line and unwarranted expense. The additional construction involved in this case, should it follow the route known as the South Road, would cause some inconvenience on the part of the

C. L. 84]

transmission company and added expense to the amount of \$3,000 or \$4,000 and possibly some operating losses due to the additional length of line involved. The results which would be gained would be the entire elimination of the probability of telephone interference with telephone circuits of considerable importance which are engaged in rendering service to citizens through this community. Broadly speaking, these same citizens through additional rates paid for electric service, would necessarily be called upon to pay the increased operating expense and fixed charges involved in this construction. The problem is, therefore, one of selection as to the construction which will best serve the public.

The Commission having considered the petition herein, all testimony adduced, and the representations and arguments, made, finds that public convenience and necessity require the construction of a transmission line extending from Fairmount to Lyons as herein proposed but that the said transmission line should not be constructed along the route designated herein as the North Road, which route is that at present occupied by toll circuits of the Central Union Telephone Company, the American Telephone and Telegraph Company and the Vermilion County Telephone Company jointly, but should be constructed along some other route which will not cause interference with these said circuits.

It is, therefore, ordered, That a certificate of convenience and necessity be, and the same is hereby, granted to the Homer Electric Light and Power Company covering the construction and operation of an electric transmission line extending from Fairmount to Lyons and connecting with the village of Catlin, but that the said certificate of convenience and necessity shall not permit the construction of the said line along the highway at present occupied by the circuits of the Central Union Telephone Company, the American Telephone and Telegraph Company and the Vermilion County Telephone Company jointly; *provided* that the Homer Electric Light and Power Company shall notify

the Commission within thirty days whether or not it will accept the provisions of this order. The securing of all necessary local authority from county and municipal authorities is made a condition precedent to the exercise of the privileges granted by this certificate.

The certificate is issued in pursuance to Section 55 of an Act to Provide for the Regulation of Public Utilities, approved June 30, 1913, and in effect January 1, 1914, as amended, and shall be issued by the secretary of the Commission and authenticated by its seal, but not until the acceptance of the Homer Electric Light and Power Company, as above set forth, has been received.

By order of the Commission, at Springfield, Illinois, this twenty-second day of October, 1918.

INDIANA.

Public Service Commission.

In re INVESTIGATION REGARDING REVERSAL OF TELEPHONE MESSAGES AND COMMISSIONS ON REVERSED MESSAGES.

No. 3701.

Decided May 22, 1918.

Reversal of Toll Charges Ordered — Established Commission to Originating Companies for "Sent Paid" Messages Ordered Paid to Company Originating Reversed Call — Originating Companies Ordered to Make Monthly Reports to Terminating Companies, Showing "Sent Paid" and "Sent Collect" Messages.

OPINION AND ORDER.

Numerous complaints regarding the reversal of toll charges having been received by the Commission, an investigation of the matter was deemed prudent and necessary. A general notice was given to numerous telephone interests throughout the State, including the Central Union Telephone Company, representing generally the Central Union interests throughout the State; the Indianapolis Telephone Company; the Independent Telephone Association, representing generally the independent telephone companies of the State, and numerous other telephone companies, to the effect that an investigation and public hearing would be held on March 18, 1918, at the offices of the Commission, Indianapolis, Indiana, regarding the reversal of telephone messages, and the division of toll charges on reversed long distance calls.

Pursuant to and in accordance with such notices, this investigation and hearing was begun with a large number of telephone companies represented, including all of the interests above mentioned.

It was unanimously agreed, after a full discussion of the question, that a committee representing the telephone interests of the State, together with a representative of the Public Service Commission of Indiana, should be appointed by the Public Service Commission to study the matter under consideration.

The following is a copy of the minutes of the first meeting of said committee:

“ MINUTES OF A COMMITTEE MEETING.

Members of the committee present:

Max Hosea, Indianapolis, secretary-treasurer, Indiana Independent Telephone Association, and traffic manager of the Indianapolis Telephone Company; *F. V. Newman*, Indianapolis, assistant to president, Indianapolis Telephone Company; *D. H. Whitham*, Indianapolis, commercial agent for Central Union Telephone Company; *J. Uprichard*, Chicago, general auditor, Central Union Telephone Company; *D. F. Hall*, Chicago, attorney, American Telephone and Telegraph Company; *T. E. Hanway*, Monticello, secretary-treasurer, Monticello Telephone Company; *S. M. Ison*, Mitchell, president, Mitchell Telephone Company and Southern Indiana Independent Telephone Owners Association; *Chas. M. Martz*, Arcadia, secretary-treasurer, Arcadia Telephone Company; *O. C. Herdrich*, Indianapolis, chief accountant, Public Service Commission of Indiana.

The object of the committee is to arrange a division of the “ Reverse-the-Charges ” telephone tolls between originating and receiving lines.

The committee met at 4 P. M., room 122½, State House, on March 18, 1918, with the following members present; *Hosea*, *Newman*, *Whitham*, *Hall*, *Hanway*, *Ison*, *Martz*, *Herdrich*.

The committee proceeded to organize. Mr. Thad E. Hanway was chosen as chairman of the committee, and Mr. O. C. Herdrich was chosen as secretary of the committee.

The object of the meeting was discussed by various members of the committee, and it was then proposed that a date

C. L. 84]

be set for a future meeting, at which time a plan for charging for toll business, taking into consideration that "Reverse-the-Charges" still be permitted, be submitted by the Central Union Telephone Company and the Indianapolis Telephone Company.

This proposal was accepted by the members of the committee, and April 11, 1918, at 10 A. M., room 122½, State House, Indianapolis, was agreed upon as the time and place for the next meeting.

Meeting adjourned.

THAD. E. HANWAY, chairman.

O. C. HERDRICH, secretary."

Pursuant to the arrangement made at the first meeting, the committee met on April 11, 1918, at the offices of the Commission.

The following is a copy of the minutes of the second and final meeting of the committee.

" MINUTES OF THE SECOND COMMITTEE MEETING.

Minutes of a meeting of a committee of telephone men and a representative of the Public Service Commission of Indiana, held on April 11, 1918, at 10 A. M., room 122½, State House, pursuant to adjournment of a meeting held March 18, 1918.

Members of the committee present:

Max Hosea, Indianapolis, secretary-treasurer, Indiana Independent Telephone Association, and traffic manager, Indianapolis Telephone Company; *F. V. Newman*, Indianapolis, assistant to president, Indianapolis Telephone Company; *D. H. Whitham*, Indianapolis, commercial agent for Receivers, Central Union Telephone Company; *Wm. Donaldson*, Chicago, auditor of receipts, representing John Uprichard, Chicago, general auditor, Receivers, Central Union Telephone Company; *David F. Hall*, Chicago, attorney, American Telephone and Telegraph Company; *Thad. E. Hanway*, Monticello, secretary-treasurer, Monti-

[Ind.]

cello Telephone Company; *Stephen M. Ison*, Mitchell, president, Mitchell Telephone Company, and the Southern Indiana Independent Telephone Owners Association; *Chas. M. Martz*, Arcadia, secretary-treasurer, Arcadia Telephone Company; *O. C. Herdrich*, Indianapolis, chief accountant, Public Service Commission of Indiana.

The minutes of the previous meeting were read and approved. The representatives of the Receivers, Central Union Telephone Company, and of the Indianapolis Telephone Company, submitted proposals for a change in paying commission on toll messages; the proposals as submitted are attached hereto, and made a part hereof.

The committee, after discussing the problems very thoroughly, unanimously approved the plans as proposed by the two companies mentioned above, and which were concurred in by the committee appointed by the Independent telephone companies at the meeting held before the Commission on March 18, 1918. It was agreed that the time for the commencement of a new plan of paying commission shall be June 1, 1918; the first report made in July for June business.

It was then ordered by the committee that a copy of these minutes be filed with the Public Service Commission of Indiana for such action as they desire to take in the premises.

The committee respectfully suggests that the Public Service Commission of Indiana approve the findings of this committee without issuing a mandatory order.

(Signed) THAD. E. HANWAY, chairman.

O. C. HERDRICH, secretary.

Indianapolis, Indiana, April 11, 1918."

The Commission having considered the proceedings and conclusions of said committee, hereby approve the same, except as herein otherwise provided.

The Commission finds that it is to the interest and convenience of the public that the charges for long distance calls on toll business originating and terminating within

C. L. 84]

the State of Indiana, should be permitted to be reversed; that such reversal is a public necessity.

The Commission further finds, that the originating companies of reversed calls should be reasonably compensated for the service in such cases performed and rendered by them and their instrumentalities.

The Commission further finds, that the present and established commissions paid to originating companies for "sent paid" messages, is such a reasonable compensation, and that such a division of toll charges, and such commission, should be made and paid upon business when, and as collected by the terminating office, and reported to it by the originating office.

The Commission further finds, that originating companies should make monthly reports to the terminating companies, separating the "sent paid" and "sent collect" toll business, and from such reports properly checked, the terminating company should make settlement with originating or connecting companies.

It is, therefore, ordered by the Public Service Commission of Indiana, That except as herein otherwise provided, the proceedings and conclusions of the committee appointed herein be, and the same are hereby, approved.

It is further ordered, That telephone companies operating within the State of Indiana shall permit the charges for long distance calls originating and terminating within the State of Indiana to be reversed.

It is further ordered, That originating companies of reversed calls be reasonably compensated for the service in such cases performed and rendered by them and their instrumentalities.

It is further ordered, That the established commission now paid to originating companies for "sent paid" messages be, and it is hereby, declared to be such a reasonable compensation.

It is further ordered, That such a division and payment of toll charges shall be made and paid to the originating

[Ind.]

company in all cases of reversed calls or "sent collect" toll charges; such commission to be paid upon business when, and as collected by the terminating office and reported to it by the originating office.

It is further ordered, That the originating companies shall make monthly reports to the terminating companies, separating the "sent paid" and "sent collect" toll business, and from such reports, properly checked and duly verified, the terminating company shall make settlement with the originating or connecting companies.

This order shall become effective July 1, 1918.

Before the passage and entry of this order, the Receivers of the Central Union Telephone Company appeared, and entered formal and written objection to the entry of a mandatory order herein, upon the grounds that the Commission has no jurisdiction of the subject matter of the inquiry. Such Receivers make the following written reservation:

"They expressly reserve the right to question the jurisdiction of the Commission in any proceedings which may arise under such order as entered, and in any other proceedings involving the subject matter embraced herein, or any feature thereof, or in any way related thereto."

May 22, 1918.

In re APPLICATION OF OHIO RIVER TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

No. 3739.

Decided July 24, 1918.

**Increase in Rates Authorized — 5 Per Cent. Fixed for Reserve for
Depreciation — 6 Per Cent. Fixed as Rate of Return — Allowance
Made for Going Value — Allowance Made for Working Capital
— Reduced Combination Rate for Business and
Residence Service Disapproved.**

OPINION AND ORDER.

Petitioner owns and operates a telephone system in the Ohio River counties of Ohio, Switzerland, Jefferson and

C. L. 84]

Dearborn with exchanges in the cities of Rising Sun and Vevay, and the towns of Florence and Patriot. The principal place of business is Rising Sun. The lines of petitioner radiate over a territory extending along the Ohio River for a distance of approximately 50 miles, extending back from the river from 10 to 15 miles. There are approximately 1,150 telephones in operation, 1,030 of which are residence telephones, and are largely on rural lines. The entire property has been operated as one system and the accounts have been so kept.

Petitioner asks that the residence rate be increased from \$1.00 to \$1.25 per month. The existing schedule provides a uniform rate of \$1.00 per month for all telephones, except the independent business rate, which is \$1.75, and except a special combination rate given the subscribers having an independent business telephone and an independent residence telephone. The combination rate is \$2.50 for both telephones, and the majority of business telephones are on the combination rate.

After due notice to the several cities and towns and the newspapers thereof, the case was heard at Rising Sun on the twenty-third day of May, 1918.

A tentative appraisal of petitioner's property was made by the engineer of the Commission, and the present physical value of petitioner's property was found to be \$72,894. The evidence disclosed that there should be added the sums of \$1,000 and \$4,500 respectively, for working capital and going value, making the total value of petitioner's property, \$78,394. The summarized income account of petitioner for the year 1917 is as follows:

Gross revenue	\$18,274
Operating expenses (not including depreciation)	11,579
BALANCE	\$6,695

The evidence discloses that there have been wage increases since January 1, 1918, of approximately \$900 which deducted, leaves \$5,795. Allowing annually for depre-

ciation 5 per cent. of the physical value of petitioner's property, less lands, materials and supplies, or \$3,262 leaves \$2,533 applicable for return on investment, or approximately 3 per cent. on the value of petitioner's property.

An increase in the rate for residence telephones, except party residence telephones in town, of 25 cents per month (including residences now included in the combination rate) would increase petitioner's annual revenues approximately \$2,400, which added to the \$2,533 now applicable, would give petitioner a total approximate annual return of \$4,933, or approximately 6 per cent. on the value of the property.

The Commission finds, therefore, that the existing rates of petitioner are inadequate and insufficient and should be increased.

The Commission further finds that petitioner should set aside annually for depreciation 5 per cent. of the physical value of its property, less lands, materials and supplies.

It is, therefore, ordered by the Public Service Commission of Indiana, That the following schedule of rates and charges shall be observed, charged and collected in lieu of those now in force:

EXCHANGES: <i>Rising Sun, Vevay, Patriot, Florence.</i>	<i>Per Month Per 'Phone</i>
Individual business telephone.....	\$1 75
Two-party business telephone.....	1 25
Two-party residence and business telephone.....	1 25
Independent residence telephone in town.....	1 25
Two-party residence telephone in town.....	1 00
Rural party telephones (not exceeding 10 to the line).....	1 25
Extension telephones	50
Extension bells	10

No combination rate shall be imposed or collected which shall be greater or less than the sums of such rates as above given.

The above rates shall become effective on the first day of August, 1918.

C. L. 84]

It is further ordered, That petitioner shall in the future keep separate records of its various exchanges.

It is further ordered, That petitioner shall set aside annually for depreciation 5 per cent. of the value of its physical property, less lands, materials and supplies.

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate, and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulated in said fund should be invested, and if invested, shall be invested in government and other high grade listed securities, which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, funds to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property, items properly chargeable to capital account, but in such event, petitioner shall place in said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year.

In handling such fund, petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated as " Depreciation Fund " and the liability account shall be designated as " Depreciation Reserve Account."

July 24, 1918.

In re APPLICATION OF FARMERS MUTUAL TELEPHONE COMPANY OF COLUMBIA CITY, FOR AUTHORITY TO ISSUE CAPITAL STOCK.

No. 4059.

Decided September 27, 1918.

Issue of Additional Stock for the Purpose of Retiring Bonds and Reimbursing Treasury for Expenditures Made, Authorized.

OPINION AND ORDER.

The petitioner seeks authority to increase its capital stock from \$100,000 to \$125,000, and for authority to issue and sell \$100,750, par value, of its common stock.

Due notice of the filing and assignment of this case for hearing was given, and pursuant to such notice, the case was heard at the rooms of the Public Service Commission on September 27, 1918.

Petitioner is capitalized at \$100,000 of common stock. Of this amount, \$24,250 is outstanding. It also has outstanding \$8,800 of 6 per cent. first mortgage bonds.

A complete inventory and appraisal of the property of petitioner was made and submitted to the Commission by J. K. Johnston, telephone engineer.

This appraisal shows that the present value of petitioner's physical property is \$115,149. The Commission is of the opinion that this sum represents the approximate value of the physical property of petitioner.

With reasonable allowances for working capital and going value, the petitioner's property would be of the estimated value of \$120,000.

There is now outstanding against this property:

Common stock	\$24,250
Bonds	8,800
<hr/>	
TOTAL OF SECURITIES OUTSTANDING.....	\$33,050

It would appear, therefore, that petitioner has property values of approximately \$86,950 which is not represented

C. L. 84]

by any outstanding securities. Petitioner is entitled to have additional securities authorized equal in par value to this sum.

It is represented by petitioner that the company desires to retire the \$8,800 of bonds now outstanding, by exchanging an equal sum of common stock at par value therefor.

The Commission being fully advised, finds that the petitioner should be authorized to increase its common capital stock from \$100,000 to \$120,000, and that authority should be granted to petitioner to issue at not less than par \$95,750 of said stock.

It is, therefore, ordered by the Public Service Commission of Indiana, That Farmers Mutual Telephone Company of Columbia City be, and it is hereby, authorized to increase its common capital stock from \$100,000 to \$120,000, and that it be authorized to issue \$95,750, par value, thereof.

It is further ordered by the Commission, That of said \$95,750 of common stock herein authorized, petitioner shall issue \$8,800 for the sole and single purpose of retiring an equal amount face value of bonds outstanding, and authority is hereby given to exchange said \$8,800 of common stock for the \$8,800 of outstanding 6 per cent. first mortgage bonds; that \$86,950 of said stock shall be sold and the proceeds thereof used to reimburse the treasury of the company for expenditures made.

It is further ordered, That the petitioner shall at the time of the issuance of said \$8,800, par value, of common stock make written report to the Commission as to the disposition thereof, and shall at the same time certify to this Commission that the \$8,800 of bonds have been retired.

It is further ordered, That before the issuance of any of the securities herein authorized, the petitioner shall pay to the Treasurer of the State of Indiana the sum of \$144.63, the statutory fee in such cases provided.

September 27, 1918.

In re APPLICATION OF THE EASTERN INDIANA TELEPHONE COMPANY *et al.*, TO TRANSFER AND SELL PROPERTY, AND APPLICATION OF THE EASTERN INDIANA TELEPHONE COMPANY, FOR AUTHORITY TO PURCHASE, AND ISSUE AND SELL ITS COMMON STOCK FOR THE PURPOSE OF PURCHASING SAID PROPERTIES.

No. 3999.

Decided October 4, 1918.

Consolidation of Exchanges Authorized — Stockholders of Old Companies Authorized to Exchange Their Stock for That of New Company — Valuation Made — Allowance for Working Capital Made — No Allowance for Going Value — Stock Representing Difference Between Total Stock Authorized and Sale Price, Ordered Sold to Secure Working Capital.

OPINION AND ORDER.

The petition herein is as follows:

" Comes now The Eastern Indiana Telephone Company, Red Key Telephone Company, Ridgeville Telephone Company, Farmland Telephone Company and the Lynn Local Telephone Company, by *Macy, Nichols and Bales*, their attorneys, and represent to your Honorable Body that they are each and all telephone corporations organizing and existing and doing business under the laws of the State of Indiana, and under the laws of said State, and styled "The Eastern Indiana Telephone Company," has proposed to each and all of the petitioning companies above named to purchase all and singular the property of every kind of each and all of said companies, at and for the sum of \$333,191, the same being the sum of the separate appraisals of all of the property of the above companies, made by J. K. Johnston, telephone engineer, in December, 1917, and March, 1918, or, if said sum and appraisement be not proper and adequate in the opinion of your Honorable Body, then for such sum and appraisal as shall meet with your approval.

Your petitioners further show that on the fourth day of June, 1918, at a meeting of the stockholders of each of the petitioning companies above named, except the Lynn Local Telephone Company, a resolution was adopted for the sale and transfer of all the property of each of said companies to said The Eastern Indiana Telephone Company upon the above terms and that on the eleventh day of June, 1918, the stockholders of said the Lynn Local Telephone Company adopted a like resolution concerning its property, a copy of each of which resolutions is attached hereto and made a part thereof.

C. L. 84]

Wherefore, Your petitioners now pray for the approval of said proposed sales and transfers, and for the consent of your Honorable Body that the property of each of the petitioning companies herein may be sold to said The Eastern Indiana Telephone Company, upon the terms and conditions fully set forth in said several resolutions."

The Eastern Indiana Telephone Company seeks authority to purchase said properties, and to issue and sell its common stock in amount equal to the aggregate values of said properties, the proceeds thereof to be used for the purchase of said properties.

Supplementing this petition, each of the telephone companies herein involved filed with the Commission separate petitions asking that the proposed sale and transfer by each of the companies be approved, and attached to each of such separate petitions were certified copies of meetings of the stockholders and boards of directors of the respective companies, authorizing the sale and transfer of each of the properties.

Due notice of the filing and assignment of the case for hearing was given to the city officials, the newspapers, and commercial organizations of each of the cities and towns involved. Pursuant to which notice the case was heard at the rooms of the Public Service Commission of Indiana, State House, Indianapolis, Indiana, on the twenty-fifth day of September, 1918.

The evidence discloses that it is the desire of petitioners to consolidate and unify a number of small telephone properties and systems situated in central eastern Indiana. The Eastern Indiana Telephone Company now owns and operates exchanges at Winchester, Parker City and Saratoga, and owns extensive toll lines. A corporation, The Eastern Indiana Telephone Company, has been organized and chartered with a capitalization of \$400,000 common stock, to take over said properties of The Eastern Indiana Telephone Company, Red Key Telephone Company, Ridgeville Telephone Company, Farmland Telephone Company and the Lynn Local Telephone Company, the latter company operating exchanges at Lynn and Fountain City.

[Ind.]

An appraisal of all of the properties involved was made for the petitioners by J. K. Johnston, telephone engineer. This appraisal was checked by the Commission's engineers, and the major items thereof, representing approximately 90 per cent. of the entire value were carefully checked, and unit costs used by the Commission applied.

The Commission's engineers also applied to all the properties average station values secured from a number of previous evaluations made by the staff.

The results of Mr. Johnston's appraisal and the estimates made by the Commission's engineers, are as follows:

<i>Name of Company</i>	APPRAISAL BY JOHNSTON		ESTIMATE OF COM- MISSION'S ENGINEERS		<i>Number of Stations</i>
	<i>Cost of Repro- duction, New</i>	<i>Present Value</i>	<i>Cost of Repro- duction, New</i>	<i>Present Value</i>	
Lynn and Fountain City....	\$82,303	\$67,702	\$66,750	\$55,041	1,114
Ridgeville.....	29,530	26,049	23,820	21,177	388
Red Key.....	32,925	27,910	26,780	22,690	492
Farmland.....	43,028	36,680	35,200	29,820	486
The Eastern Indiana Tele- phone Company: Winchester, Saratoga, Parker City, toll lines..	184,669	158,960	150,000	129,234	979
GRAND TOTAL, ALL COM- PANIES.....	*\$372,454	\$317,301	\$302,550	\$257,962	*4,083

RECAPITULATION		
	<i>Reproduction, New</i>	<i>Present Value</i>
Johnston.....	\$372,454	\$317,301
Commission's engineers.....	302,550	257,962

For the purposes of this case all petitioners formally accepted the tentative estimate of physical values found by the Commission's engineers. There should be added, however, to the present value of \$257,962, found by the Commission's engineers, a reasonable allowance for working capital. The Commission feels that \$4,000 is a sufficient amount for this purpose. Thus, the estimated value of petitioner's property is, in round figures, \$262,000. Inasmuch as there was no showing made, no allowance is made for going value.

* Errors are apparent.

C. L. 84]

Petitioner, The Eastern Indiana Telephone Company, desires to purchase all the property of all of the companies above enumerated and to issue its common stock to an amount equal to the value of the property as found by the Commission's engineers. No other stocks or bonds are outstanding.

The Commission finds that the sale and transfer of the property of The Eastern Indiana Telephone Company, Red Key Telephone Company, Ridgeville Telephone Company, Farmland Telephone Company, and the Lynn Local Telephone Company to The Eastern Indiana Telephone Company, and the purchase thereof by the latter company, should be authorized and approved, and that The Eastern Indiana Telephone Company should be granted authority to issue its common stock in the aggregate sum of \$262,000, par value, and to sell said stock at not less than par for the purpose of purchasing the properties above described.

It may be observed, however, that the evidence shows that while the stock of The Eastern Indiana Telephone Company will formally be sold to the various stockholders of the selling companies, yet actually less than 1 per cent. of the stock sold will require any capital. Practically all of the stockholders of the selling companies will accept the stock of the new company in exchange for their present holdings.

The Commission further finds that all of the securities of the selling companies should be cancelled.

It is, therefore, ordered by the Public Service Commission of Indiana, That petitioners, The Eastern Indiana Telephone Company, Red Key Telephone Company, Ridgeville Telephone Company, Farmland Telephone Company, and the Lynn Local Telephone Company be, and they are hereby, authorized to sell and transfer all of their property, rights and franchises to The Eastern Indiana Telephone Company. The Eastern Indiana Telephone Company is hereby authorized to purchase said property. Said sale, transfer and purchase shall be made on the basis of the following property values:

[Ind.]

	<i>Value of Property</i>
The Eastern Indiana Telephone Company composed of Winchester, Parker City and Saratoga exchanges and toll lines.	\$129,234
Lynn Local Telephone Company.....	55,041
Ridgeville Telephone Company.....	21,177
Red Key Telephone Company.....	22,690
Farmland Telephone Company.....	29,820
	<hr/> \$257,962

It is further ordered, That The Eastern Indiana Telephone Company be, and it is hereby, authorized to issue and sell \$262,000, par value, of its common stock, at not less than par, and that the funds derived from the sale of said stock shall be used solely for the purchase and acquisition of the properties above described, at purchase prices equivalent to the above values. Said stock in the sum of \$4,038, par value, representing the difference between the total stock authorized to be issued and the total sale price, may be used as, or sold by the company, to secure working capital.

It is further ordered, That The Eastern Indiana Telephone Company shall, thirty days after date, and each fifty days thereafter, make written report to this Commission of the sale or disposition of said stock, and the application of the proceeds thereof.

It is further ordered, That all of the outstanding stock and securities of the Red Key Telephone Company, Ridgeville Telephone Company, Farmland Telephone Company, Lynn Local Telephone Company and The Eastern Indiana Telephone Company shall within sixty days from date be cancelled, and due report of said cancellations made to the Commission.

It is further ordered, That The Eastern Indiana Telephone Company pay, before the issuance of the securities herein authorized, to the Treasurer of the State of Indiana, the sum of \$393, the statutory fee in such cases provided.

October 4, 1918.

C. L. 84]

In re APPLICATION OF PEOPLES CO-OPERATIVE TELEPHONE COMPANY OF STOCKWELL, FOR AUTHORITY TO INCREASE RATES.

No. 4100.

Decided October 4, 1918.

Increase in Residence and Business Rates Authorized.

OPINION AND ORDER.

On August 14, 1918, the Peoples Co-operative Telephone Company of Stockwell, Indiana, filed a petition with the Public Service Commission of Indiana, averring:

(1) That it is a public utility, operating under the laws of the State of Indiana.

(2) That its principal place of business is in Stockwell, Indiana, an unincorporated town. That it is a public utility engaged in the management and operation of a telephone exchange at Stockwell, with lines radiating therefrom to the farming districts and territory adjacent thereto. That as such public utility it is subject to the provisions of the laws of Indiana.

(3) That your petitioner has on file with the Public Service Commission of Indiana, P. S. C. I. No. 1, filed July 10, 1914, and supplement thereto, filed in accordance with order No. 1633, dated July 29, 1915.

(4) Under Rule 2, of the above schedule, your petitioner has in effect the following rate:

“Rule 2. The charge to each member for service on this company's system shall be \$6.00 per year, payable \$1.50 during or at the end of each quarter.”

(5) That it applies to this Commission for authority to increase its rates for the reason that in the judgment of the petitioner, the present rates are wholly inadequate and insufficient to maintain the system and keep same in proper state of efficiency to render its subscribers good telephone service, and on account of the increased price of all supplies and general operating expenses.

(6) That application is hereby made for authority to increase the above rates under Rule 2 of P. S. C. I. No. 1 to \$1.00 per month for residence subscribers, and \$2.00 per month for business 'phones.

Notices were mailed to the following: Town Clerk, Stockwell, Indiana; Editor of the News, Clarkshill, Indiana; Glen Murphy, secretary of the Peoples Co-operative Telephone Company, Stockwell, Indiana, that a hearing would

be held in said cause, September 19, 1918, at 10 A. M. at the rooms of the Commission, State House, Indianapolis, Indiana.

Said hearing was held, and there appeared for the petitioner, *R. W. Ellis*, president of said company, and *Fredrick Anderson*, manager and lineman for said company. No protestants appeared.

The testimony shows that said Peoples Co-operative Telephone Company was incorporated in 1900 with a capital stock of \$600, 100 shares of capital stock at the par value of \$6.00 per share; that the stockholders from time to time rendered service, as well as furnished material, in order to keep said telephone plant in good working condition. This, however, did not provide sufficiently to maintain said plant; that to place said plant in 100 per cent. condition it would require the immediate expenditure of approximately \$1,500.

The evidence further shows that no dividends were ever paid, nor was there any allowance set aside for depreciation.

It further appears that the total operating revenue for the year 1917, was \$1,602.34, and the total operating expenses for the same period were \$1,883.40, leaving a deficit for the year 1917, of \$281.40.*

The evidence further shows that should the prayer of petitioner be granted it would add additional revenue to the amount of approximately \$1,242; and there are 177 residence telephones and 10 business telephones.

The records of this company are so incomplete that the Commission was unable to get any accurate information. The evidence shows that the maintenance of said telephone plant was badly neglected, in fact to the extent of rendering very poor service, and was continued in this condition until it became necessary for the rebuilding of the entire system.

The testimony shows that said telephone company has employed two operators at a salary of \$27.50 per month each. It also appears that other labor was not paid excessive prices, leaving the impression with the Commission that neglect largely was responsible for the condition now existing.

* A slight error is apparent.

C. L. 84]

The Public Service Commission of Indiana having heard the evidence in the above-entitled cause, and being fully advised in the premises, is of the opinion that the present schedule of rates, tolls and charges now on file with the Public Service Commission is insufficient and inadequate to properly maintain and operate said telephone plant and system, and that the prayer of the petitioner should be granted. This will add sufficient revenue to properly rebuild said telephone plant and render efficient service to the public, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Peoples Co-operative Telephone Company of Stockwell, Indiana, is hereby, and herein, authorized to file a schedule of rates, tolls and charges as follows:

	<i>Per Month</i>
Residence subscribers	\$1 00
Business telephones	2 00

Said schedule of rates, tolls and charges to be in force and effect November 1, 1918; and thereafter.

October 4, 1918.

In re APPLICATION OF WAYNETOWN TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

No. 3940.

Decided October 25, 1918.

**Increase in Rates Effective for Two Years, War Conditions Considered,
Authorized — Lower Rate for Joint Business and Residence Service
than Sum of Individual Business and Residence Rates,
Authorized — Establishment of Toll Rate Denied.**

OPINION AND ORDER.

On June 27, 1918, John T. Detchon, as part owner of the Waynetown Telephone Company filed his petition with the Public Service Commission of Indiana alleging that the said company had surrendered its franchise in accordance

with the laws of this State; that on March 3, 1917, the Public Service Commission of Indiana in an application then pending before it from the said company, fixed* as a value for rate-making purposes, all of the property owned by said company, tangible and intangible, and working capital at the sum of \$30,000; that a depreciation rate of 4 per cent. on valuation of \$25,913 was established, and a rate of return amounting to 7 per cent.; that provision was made for operating expenses of \$4,200, depreciation of \$1,036.52 and return of \$2,100, or a total of \$7,336.52.

Petitioner further referred to the schedule of rates, tolls and charges established by the Commission in its order* of March 3, 1917, which schedule was as follows:

	<i>Per Month</i>
Individual business telephones in town.....	\$1 65
Individual residence telephones in town.....	1 40
Two-party residence and business in town.....	2 40
Party line, town or country.....	1 15
Extension telephones	50
Extension bells	25

A discount shall be given of 15 cents per month on each telephone, except extension telephones, when rental rates are paid on or before the tenth day of the month succeeding the month in which the service is rendered.

and charges established by the Commission in its order* of cents per message established by this Commission on messages originating at Waynetown and terminating at Crawfordsville.

It was alleged by petitioner that during the year ending April 1, 1918, the total revenue from all sources amounted to \$7,043.36 and the total expenditures including depreciation, to \$6,063.11, leaving gross income of \$980.25.

Petitioner averred that the actual rate of return for the year ending April 1, 1918, instead of 7 per cent., as allowed by this Commission, amounted to less than 2½ per cent. Petitioner averred that increased wages amounting altogether to \$388 annually are demanded by its employees

* See Commission Leaflet No. 65, p. 1218.

C. L. 84]

and that these increased wages should be allowed. Reference was made to the increased cost of telephone materials necessary in maintaining this property. The following rates were proposed by petitioner:

	<i>Per Month</i>
Individual business telephones.....	\$2 15
Individual residence telephones.....	1 65
Party line telephones.....	1 40
Extension 'phones	1 00

Petitioner averred that there were in use on April 30, 1918:

- 30 Individual business 'phones.
- 38 Individual residence 'phones.
- 24 Two-party line business and residence 'phones.
- 372 Party line residence 'phones.
- 1 Extension 'phone.
- 2 Extension bells.
- 13 Desk 'phones.

Petitioner contended that the Public Service Commission of Indiana should establish a toll rate of 10 cents for telephone messages between Waynetown and Alamo: It averred that the Commission abolished this charge in its order* of March 3, 1917, and that although a toll rate of 10 cents upon messages between Waynetown and Crawfordsville was established, petitioner's subscribers avoid the payment of this charge by obtaining telephone connection with Crawfordsville through the exchange at Alamo, which exchanges free service with Waynetown. It was urged that the former toll rate of 10 cents for each conversation of 5 minutes between Waynetown and Alamo be restored. Petitioner also maintained that a 4 per cent. rate of depreciation is inadequate.

Due notice of the filing of the said petition and of the hearing herein was given to interested parties. The said cause was heard on July 31, 1918, at the State House, Indianapolis, Indiana. *Hough and Offutt* appeared for petitioner. There were no other appearances.

* See Commission Leaflet No. 65, p. 1218.

The evidence introduced in the hearing of this cause shows that the material averments of petitioner with respect to the revenues and expenditures for the year ending April 1, 1918, are true. It appears that in the year ending April 1, 1918, petitioner failed by approximately \$300 to earn the sum estimated in the Commission's order* P. S. C. I. 1099, dated March 3, 1917. On the other hand, the operating expenses, including depreciation, were \$6,063.11, or \$726.59 more than estimated and allowed by the Commission in its order* of March 3, 1917.

The evidence shows that no part of the \$1,036.52, set apart as a depreciation fund for the year ending April 1, 1918, was expended by petitioner. This sum of money was deposited in the bank and the fund has not been drawn against during the year last past. An analysis of the expenditures made by the company during the year ending April 1, 1918, shows, however, that the expenditures have been abnormally large. The maintenance expenses, for instance, exceed the average expenditures on this account, made by 20 companies, by \$361.35. The operation expenses, including accounts Nos. 624, 628, and 633, in the Commission's uniform classification of accounts, are \$164.50 less than the average expenditures of 20 companies on this account. The general and miscellaneous expenditures exceed the general and miscellaneous expenditures of 20 companies by \$357.58. Altogether, there is a difference of \$554.43 in the average expenditures of 20 companies compiled by the accounting staff of the Public Service Commission, and the expenditures of the Waynetown Telephone Company for the year ending April 1, 1918, and this indicates rather clearly that the depreciation of petitioner's plant has been charged to the maintenance account.

The operating revenues of petitioner during the year ending April 1, 1918, to sum up the evidence heretofore referred to, were \$300 less than estimated by the Commission in P. S. C. I. 1099,* and the total expenditures \$726.59 greater than estimated by the Commission in that order,*

* See Commission Leaflet No. 65, p. 1218.

C. L. 84]

making a total difference, or \$1,026.59. But the total expenditures of petitioner company for the year ending April 1, 1918, were also \$554.43 greater than the average of 20 companies heretofore referred to. In view of the evidence in this cause, the Commission is of the opinion that a deduction of this amount should be made from the total difference between what the Commission allowed petitioner to earn in P. S. C. L. 1099,* and what it actually did earn during the first year of operation under this order.* If this sum is deducted, there is a remainder of \$475.16†, which the Commission may assume is the approximate actual amount by which petitioner failed to earn necessary revenue during the year ending April 1, 1918. The petitioner's schedule of rates, tolls and charges will be increased to provide this additional revenue, and also the sum of \$388 necessary on account of increased wages which petitioner must pay its employees.

Petitioner will be authorized to establish the following schedule of rates, tolls and charges, effective November 1, 1918:

	<i>Gross</i>	<i>Net</i>
	<i>Per Month</i>	
Individual business telephones in town.....	\$1 85	\$1 75
Individual residence telephones in town.....	1 60	1 50
Two-party, one residence and one business telephone in town	3 20	3 00
Party line, town or country.....	1 25	1 15
Extension telephones	60	50
Extension bells	35	25

A discount of 10 cents per month, per telephone, shall be allowed upon all bills paid on or before the tenth day of the month succeeding the month in which the service is rendered.

The Commission is of the opinion that the increase in rates, authorized in the order hereto appended, will be necessary only so long as industrial conditions brought on by the war remain, and the rates herein established will be authorized for a period of two years only from the date when they will become effective.

* See Commission Leaflet No. 65, p. 1218.

† A slight error is apparent.

[Ind.]

The Commission is of the opinion, further, that the prayer of the petitioner in all other particulars should be denied, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the petitioner, the Waynetown Telephone Company, shall be authorized to establish for a period of two years from the effective date hereof, the following schedule of rates, tolls and charges, which schedule shall become effective November 1, 1918:

	<i>Gross</i>	<i>Net</i>
	<i>Per Month</i>	
Individual business telephones in town.....	\$1 85	\$1 75
Individual residence telephones in town.....	1 60	1 50
Two-party, one residence and one business telephone in town.....	3 20	3 00
Party line, town or country.....	1 25	1 15
Extension telephones	60	50
Extension bells	35	25

A discount of 10 cents per month, per telephone, shall be allowed upon all bills paid on or before the tenth day of the month succeeding the month in which the service is rendered.

It is further ordered, That the prayer of the petitioner in all other particulars be, and the same is hereby, denied.

October 25, 1918. .

In re JURISDICTION OF PUBLIC SERVICE COMMISSION IN THE
MATTER OF PROPOSED INCREASE IN RATES OF COLLEGE
CORNER TELEPHONE COMPANY.

No. 4133.

Decided October 25, 1918.

**Commission Held to Have no Jurisdiction to Regulate Rates for
Communications Originating and Terminating in State
But Transmitted Through an Exchange Located
in Another State.**

OPINION AND ORDER.

On the twenty-fifth day of March, 1918, the Public Service Commission of Indiana after a hearing denied* the petition

* See Commission Leaflet No. 77, p. 1015.

C. L. 84]

of the College Corner Telephone Company of College Corner, Ohio, authority to increase its rates, tolls and charges within the State of Indiana.

On July 31, 1918, the company published a notice in the College Corner News as follows:

"On account of the high cost of material and operation an increase in the revenues of this company is absolutely necessary; therefore, under the Interstate Commerce Laws of the United States the rates for the several classes of services beginning Sept. 1, 1918, will be as follows:

	<i>Per Year</i>
Main line business.....	\$27 00
Two-party business (with residence on same line).....	27 00
Two-party residence (with business on same line).....	15 00
Main line residence.....	20 00
Ten-party residence, inside corporation.....	15 00
Ten-party rural	20 00

All bills payable quarterly in advance."

This notice was brought to the attention of the Public Service Commission of Indiana which, upon its own motion, proceeded to an investigation of the matters involved in the proposed notice.

A hearing was held at Indianapolis, Indiana, September 12, 1918. *Frank C. Dunbar* of the firm of Miller, Thompson, Dunbar and Martin of Columbus, Ohio, appeared in behalf of the College Corner Telephone Company; there were no other appearances except that *A. F. Bell*, a resident of the State of Indiana, appeared to oppose any increase, and complained of the service furnished by the College Corner Telephone Company.

The evidence introduced in the hearing of this case shows that the College Corner Telephone Company has an exchange located at College Corner, Ohio, with lines radiating to the country adjacent thereto in Butler and Preble Counties, Ohio, Union and Franklin Counties, Indiana; that all messages originating and terminating in Indiana, and all messages originating in Indiana and terminating in Ohio, or *vice versa*, except part of those messages originating and terminating on the same party circuit within the State of Indiana, are routed through the exchange

located in College Corner, Ohio. Approximately 300 circuits cross the State line from the exchange at College Corner into the State of Indiana, some of which are independent lines, but most of which are party circuits. Some of the circuits extend along the State line between Ohio and Indiana, serving parties living in both States.

The question involved in this cause is the jurisdiction of the Public Service Commission of Indiana over the rates charged by the College Corner Telephone Company to its subscribers living in the State of Indiana.

Counsel for College Corner Telephone Company admitted the jurisdiction of the Public Service Commission of Indiana in the matter of service furnished by the company to subscribers living within the State of Indiana. Counsel maintains, nevertheless, that the service for which rates are charged is interstate service.

It is apparent that the Public Service Commission of Indiana would have no jurisdiction over the rates for messages originating in the State of Indiana and terminating in the State of Ohio, or *vice versa*; likewise, it has been held in the case of a shipment of merchandise which originated at one point in a state and terminated at another point in the same state, that it was an interstate shipment for the reason that in the course of its transportation it passed through another state: *Louisville and Nashville Railroad Company v. Allen*, 152 Ky. 145; *United States v. Erie Railroad Company*, 166 Fed. 352; *Howard v. Chicago, Rock Island and Pacific Railway Company*, 184 S. W. 906; *Lynch v. New York Central and Hudson River Railroad Company*, 156 N. Y. S. 1131; *Wichita Falls and Northwestern Railway Company v. Asher*, 171 S. W. 1114; *Crescent Brewing Company v. Oregon Short Line Railroad Company*, 132 Pac. 975, 24 Idaho, 106.

Numerous additional decisions may be cited in support of this proposition. It has been held, also, where a telegraph company's line is located partly outside the state where a message originated, and it transmits the message from one point in a state to another point, it nevertheless is engaged in interstate commerce and subject to Federal

C. L. 84]

legislation. Also, the transmission of a telegram between two points within a state over a line which passes out of the state and require the relaying of the message outside of the state is interstate commerce: *Western Union Telegraph Company v. Bolling*, 91 S. E. 154.

In *Davis v. Western Union Telegraph Company*, 202 S. W., the Missouri court held that,

"Though the sending and delivery points of a telegraph message were within the same state, if part of the route of transmission was through another state, the message was interstate, although, had the wires within the state not been down, the message could have been sent altogether within the state."

By an amendment to the Interstate Commerce Act approved June 18, 1910, the jurisdiction of the Federal Government was extended to all telegraph and telephone companies actually engaged in interstate commerce, so that there can be no question in this cause with regard to the failure of Congress to assume the jurisdiction which properly belongs to it. Moreover, the Interstate Commerce Commission has exercised its jurisdiction in numerous cases as evidenced by the following citations: **Shoemaker v. Chesapeake and Potomac Telephone Company*, 20 I. C. C. 614; *White and Company v. Western Union Telegraph Company*, 27 I. C. C. 622; †*Malone v. New York Telephone Company*, 40 I. C. C. 185.

Briefs and arguments of the counsel for the College Corner Telephone Company were submitted to the Attorney General of the State of Indiana, who advised the Commission that he is of the opinion that this Commission has no jurisdiction to regulate rates for the transmission of telephone messages transmitted from point to point within the State, but which in the transmission have to pass over the lines and through an exchange located in another state.

The Public Service Commission of Indiana, having heard all the evidence in this case, after a thorough examination of the points at issue, examination of briefs and considera-

* See Commission Leaflet No. 1, p. 25.

† See Commission Leaflet No. 57, p. 713.

[Ind.]

tion of arguments, is of the opinion that it has no jurisdiction over the rates charged by the College Corner Telephone Company to subscribers living within the State of Indiana, and an order will be entered dismissing these proceedings.

It is, therefore, ordered by the Public Service Commission of Indiana, That in accordance with its finding herein above stated, the proceedings in this cause be, and the same are hereby, dismissed, and the jurisdiction of this Commission in this cause denied.

October 25, 1918.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF THE KANSAS CITY LONG DISTANCE
TELEPHONE COMPANY FOR PERMISSION TO FILE AND PUT
IN FORCE AN AMENDED SCHEDULE OF TOLL RATES.

Docket No. 2576.

Decided September 24, 1918.

**Increase in Toll Rates, War Conditions Considered, Authorized —
Regular Block System as Basis for Fixing Toll Rates Approved —
Existing Toll Rates of 10 Cents or Less Remain Unchanged —
Intrastate Rates Authorized Not to be on a Higher Basis
than Interstate Rates — Semi-Annual Reports
Required — Report Within Nine Months After
Close of War Required.**

ORDER.

On this twenty-fourth day of September, 1918, comes on to be heard the application of The Kansas City Long Distance Telephone Company for permission to file and put in force an amended schedule of toll rates, filed July 18, 1918, due notice having been given of the hearing.

Upon consideration of the said application and the testimony introduced in support of same, and being fully advised in the premises, the Commission finds that the proposed change in the method or plan of basing, fixing and quoting toll rates will eliminate inconsistencies, irregularities and discriminations incident to the present system, and will make the toll rate schedule of petitioner far more uniform and equitable than the system now in use; that war conditions have greatly increased the expenses necessarily incurred by petitioner in supplying its service within the State of Kansas without materially or adequately increasing petitioner's revenue, and that such increased expenses and expenditures on the part of petitioner will be only par-

tially met by the increase in revenue which will accrue as a result of the application of the schedule asked for herein.

It is, therefore, by the Commission ordered, That The Kansas City Long Distance Telephone Company be, and the same is hereby, authorized and permitted to file, publish and put in force its new schedule of rates as described in its said petition, subject to the conditions and modifications hereinafter set out. The new schedule of toll rates as described in said petition are essentially as follows:

Fifteen cents for the first 14 miles and 5 cents additional for each additional 7 miles or fractional part thereof. Distances to be figured from the center of the rate-making block in which the toll station originating the call is located to the center of the block in which the toll station completing the call is located, with the exception that messages between toll stations separated by not more than 42 miles shall be figured on air line basis; and the rate to apply for an initial three-minute communication — overtime rate for each additional minute, or fractional part thereof, to be proportional to the three-minute rate.

The conditions and modifications above referred to are as follows:

1. All existing toll rates of 10 cents or less shall remain unchanged.
2. The new schedule for intrastate rates shall not be upon any higher basis than the petitioner's interstate rates at the time when the new schedule is put into effect; to the end, that there shall be no discrimination as between petitioner's intrastate and interstate rates.
3. The petitioner, beginning December 31 next, shall make semi-annual reports showing the total increase of revenue obtained under the new schedule and such other matters as the Commission may lawfully prescribe; within nine months after the close of the present war the petitioner shall make a complete report of its Kansas business, both toll and local exchanges, for the first six months after the close of the war, in such detail as may be required by the Commission, to the end that the rates herein granted may at that time be made reasonable and just under the then existing circumstances and conditions.

C. L. 84]

4. This order shall not operate to prejudice any complaint that may be presented to the Commission on account of the rates herein authorized, or prevent any investigation as to the reasonableness of any rates by the Commission on its own motion, it being distinctly understood that the Commission grants these rates in an emergency to meet an extraordinary war crisis, and that it does not find that the rates herein granted would be reasonable rates in normal times.

September 24, 1918.

MASSACHUSETTS.

Public Service Commission.

In re HOTEL TELEPHONE SERVICE AND RATES CHARGED
THEREFOR.

P. S. C. No. 1997.

Decided September 30, 1918.

Purchase of Telephone Service in Bulk and Sale at Retail by Hotels Prohibited.

The Commission upon its own motion instituted an investigation with regard to complaints that certain hotels in Boston had increased rates for local messages from 5 cents to 10 cents.

Under the rate schedule filed with the Commission, room service is furnished under the standard form of contract for private branch exchange service, the hotel paying a stated sum each year for switchboard and equipment, for trunk lines, and for each telephone instrument used, and an additional amount based upon the number of messages, the company furnishing all the apparatus and wiring, while the hotel supplies whatever operators may be necessary. Until recently the corridor service has been furnished directly by the telephone company upon the public pay station basis. Space was leased from the hotel and the station was operated either upon the coin box plan, or through an operator supplied by the telephone company. Under this arrangement no direct connection existed between the room service and the corridor service, intercommunication being provided only through the telephone central office.

In a number of cases during the past year the corridor service has been taken over by the hotel and combined with the room service, both being operated from the same switchboard as parts of one private branch exchange system, the telephone instrument in the corridor booth having the same status as the instrument in one of the rooms and operated in the same way. For service so furnished the hotels made charges higher than the rates charged by the company.

Held: That the telephone company is the only concern which has been authorized by law to carry on a telephone business. Public policy favors a unified service with undivided and centralized responsibility. The hotels in question have never received any similar authority nor have they any lawful right to engage in the public business of transmitting intelligence by electricity. If a hotel may lawfully buy service in bulk and resell it at retail, the same course may be followed by other subscribers, and the practice should be discontinued;

C. L. 84]

That the change made by the company since the hearing of this case, providing that its regulation restricting the use of its instruments to the subscriber, his agents or employees, applies only to unlimited service, and not to measured service received in connection with private branch exchanges, has not been lawfully made, since Chapter 784, Section 20 of the Statutes of 1913, provides that no change shall be made in any rate "or any rule or regulation, or form of contract or an agreement in any manner affecting the same except upon thirty days' notice to the Commission," and no such notice has ever been given. The Commission, however, will not rest its case upon a regulation of the company which is subject to change, but instead will deal broadly with the matter upon the basis of general underlying principles;

That it is immaterial whether or not the hotels are making a profit from their telephone service. The contention of the hotels that unless the tolls from outgoing service are sufficient to cover all payments to the telephone company and other expenses, that there is a loss on the service is not true, for if the collections were sufficient to cover these costs the hotels would profit by receiving the incoming and interior service entirely without charge;

That private branch exchange service should not be furnished to hotel companies or other licensed innkeepers except upon the condition that any service so furnished shall not be resold by the subscriber to the public or any section thereof, either directly or indirectly, through a charge for the use of instruments and apparatus, as this form of service should be what its name implies "private" rather than "public;"

That telephone service may be furnished by hotels to their guests by the establishment of branch exchange public telephone stations, these stations to furnish service on the same general basis as the ordinary public pay stations, except that calls may be handled through a local switchboard and the patron instead of depositing the amount of the charge in the coin box, may pay it to the proprietor, who acts as agent for the company.

REPORT.

This investigation was instituted by the Commission upon its own motion as the result of information and complaints to the effect that at certain hotels in Boston the rates or tolls for local messages had been increased from 5 cents to 10 cents each. A public hearing was held on December 20, 1917.

It appears that prior to the date, July 1, 1915, when the New England Telephone and Telegraph Company filed its rate schedule with this Commission, under the provisions of Chapter 784 of the Acts of 1913, telephone service was

furnished to hotels under special so-called "hotel contracts." No provision for such contracts was made in the schedule which was filed, no new contracts of similar character have since been entered into, most of those which then existed have been discontinued, and it is the intention of the company to discontinue them all. Their temporary retention has been permissible under a provision of Section 20 of the aforesaid Act.

The telephone service of the hotels may be separated into two parts, viz: (1) The service furnished to the offices and rooms, which may be called the room service; (2) The service furnished to booths located in the lobbies or corridors, which may be called the corridor service.

Under the rate schedule filed with the Commission, the room service is furnished under the standard form of contract for private branch exchange service. The hotel pays a stated sum per year for switchboard and equipment, for each trunk line and for each telephone instrument used, and an additional amount based upon the number of messages. The actual rates for number one system, Metropolitan exchange service are as follows:

<i>Equipment</i>	<i>Annual Rates</i>
Switchboard	\$24 00
Trunk lines, both ways, each.....	24 00
Stations, each	6 00
Operators' or answering sets, each.....	6 00

<i>Messages</i>	
Minimum, 4,000	120 00
Additional messages, in excess of minimum, used within the contract year, 3 cents each.	

The telephone company furnishes all the apparatus and wiring, while the hotel supplies whatever operators may be necessary.

Until recently the corridor service has been furnished directly by the telephone company upon the public pay station basis. Space has been leased from the hotel and the station has either been operated upon the coin box plan or

C. L. 84]

through an operator supplied by the telephone company. Under this arrangement no direct connection has existed between the room service and the corridor service, intercommunication being provided only through the telephone central office. To some extent this is the plan which is still pursued, but a change has been made in a number of cases during the past twelve months which seems likely to become general if no obstacle is interposed by public authorities.

The corridor service is taken over by the hotel under this new arrangement and combined with the room service. Both are operated from the same switchboard as parts of one private branch exchange system. The telephone instrument in a corridor booth has the same status as an instrument in one of the rooms and is operated in the same way. It follows that the corridor service, upon the theory of the telephone company, ceases to be public pay station service and that the hotel is free to charge what it pleases to those who may care to use it.

The immediate result of the change in every case has been that the charge for local messages, which is 5 cents at public pay stations, has been increased to 10 cents, and coincidentally the hotels have made a similar increase in the charge from their rooms. The proprietors submitted evidence to show that under the former arrangement they were losing money, and this was the sole reason offered for raising the charge from the rooms. In the case of the corridor service, however, they claimed that the object of the increase was to confine the telephone service to guests, so as to give them better service than they had received under the old system.

It was alleged

“ that the only practical way to accomplish this object was to exclude the general public by raising the rates; that the increase had excluded many persons, not guests, who had used the hotel telephone under the lower rates; that practically no complaints had arisen from guests on account of the increased rates; that the service from the guests' standpoint had been greatly improved; that no signs were displayed to indicate that the hotels were furnishing a public service, or that the public was invited to use it, or that the rate was only 5 cents; that in some of the hotels a sign

[Mass.]

is displayed showing that the charge is 10 cents; and that in the immediate vicinity of the hotels in question there were public pay stations in sufficient number to meet public demands at the 5-cent rate."

It was also alleged that guests can now call up their rooms from the corridor booths without charge, an advantage which they did not formerly possess. Under the new plan the hotels own the booths, which are often specially constructed to harmonize with the surroundings, and the further claim was made that the extra charge is in part levied as compensation for the additional service, not available at public pay stations, which they render in the way of clerical assistance, in following up calls to obtain desired connections, and in paging guests, and for the other incidental expenses not involved in the furnishing of regular public telephone service under standard conditions. It was admitted, however, that service from the booths in the corridors is not confined to persons who are guests of the hotel, but is open indiscriminately to all persons who are willing to pay 10 cents for local messages.

At the hearing the representatives of the telephone company stated that it is now and always has been willing to establish and maintain public pay stations at hotels, in conformity to the former practice, charging the usual public pay station rates for all messages, but that this cannot be done without the consent of the hotels, and that there are numerous public telephone stations within 500 feet of every hotel where the new plan is followed, at which service can be secured at the regular rates. In the brief subsequently filed, the company makes no claim whatever relative to the right of the Commission to regulate the rates or tolls which hotels shall levy, and takes no position either for or against the 10-cent charge. It maintains, however, that if the Commission construes Chapter 784 of the Acts of 1913 (Public Service Commission Act), or any sections thereof, as giving it jurisdiction over the hotels in this respect, it must first find that they are common carriers under the statute. It urges that it is rendering service to the hotels, under the

C. L. 84]

new plan, in strict conformity with its schedule of rates filed and published according to law, under the standard form of contract available for all private branch exchange subscribers regardless of the nature of their business. At the hearing counsel also contended (Record p. 24) that, so far as the telephone company is concerned,

“ a private individual, or a business concern, or a manufacturing concern, or a hotel, all of which are receiving service under this same form of contract, can retail or resell telephone service to the public or to special and selected persons, and make such charges as they see fit.”

This contention really sums up the problem before the Commission. Such jurisdiction and authority as it has over telephone service arises, primarily, from the following provisions of Section 2 of Chapter 784 of the Acts of 1913:

“ Section 2. The Commission shall, so far as may be necessary for the purpose of carrying out the provisions of this or any other Act, have general supervision and regulation of, and jurisdiction and control over, the following services, when furnished or rendered for public use within the Commonwealth, and all persons, firms, corporations, associations and joint stock associations or companies, hereinafter in this Act collectively called common carriers and severally called a common carrier, furnishing or rendering any such service or services. * * *

(c) The transmission of intelligence within the Commonwealth by electricity, by means of telephone lines or telegraph lines or any other method or system of communication, including the operation of all conveniences, appliances, instrumentalities, or equipment utilized in connection therewith, or appertaining thereto.”

The jurisdiction over the telephone company in this case is clear. The operating company was chartered in New York, but operates in this Commonwealth as the agent of the New England Telephone and Telegraph Company of Massachusetts, which was organized in 1888 for the following purposes:

“ The purpose for which the corporation is constituted is the acquiring by purchase, lease or otherwise, constructing, maintaining, leasing and operating telephone exchange systems, and public and private telephone and telegraph lines, and in general, the receiving and transmitting intelligence by electricity for all purposes, and the doing a telephone, telegraph

[Mass.]

and district telegraph business both within and without the State of Massachusetts, and the acquiring, holding, using, selling and leasing all rights, franchises, patents, machinery and apparatus pertaining to such business."

No one would contend that the hotels have ever received any similar authority, or that they have any lawful right to engage in the public business of transmitting intelligence within the Commonwealth by electricity. It is clear also that they are not rendering such service. Obviously, the telephone service which is furnished from a booth in the corridor or from a room in the hotel must depend, not upon the facilities of the hotel itself, but upon the facilities and property owned and operated by the telephone company entirely outside of the hotel and entirely beyond the control of the hotel management. Even the switchboard, wiring and telephone instruments within the hotel itself are owned by the telephone company and not by the hotel, and all that the latter owns in the way of equipment are the booths in the corridor, which are the equivalent of small rooms and have no necessary connection with the telephone service. It is true that the hotel supplies the operators for the private branch exchange switchboard, but these are merely its agents in the receipt of the service and in essence play no more part in the actual furnishing of the service than does any person who receives or sends a message.

While the hotels are not furnishing telephone service, however, it appears that they are dealing in such service. In effect, they buy at wholesale and sell at retail. Whatever compensation the telephone company receives for messages sent from the hotel is paid by the hotel, but, if the message is sent by a guest or by any other person who is not in its employ, the latter charges and receives compensation on its own account. The question arises whether such reselling or retailing of service is lawful, and whether the hotels are authorized to engage in the telephone business even to this extent.

The question has an importance beyond the immediate issue presented in these proceedings. If a hotel may lawfully buy service in bulk and resell it in this way, pre-

C. L. 84]

sumably the same course may be followed by other proprietors. Thus, the owners of an office building might take service for the entire building upon a private branch exchange basis and retail it to their tenants at such prices as they saw fit; the owners of a department store might adopt a similar plan in providing telephone facilities for their customers; or a railroad company might resell in this way within the confines of a passenger station, like the North station or South station in Boston. Indeed the owners of all the buildings located within the limits of any city block might establish a joint private branch exchange and require all tenants to take their service from that source.

At the time of the hearing upon this matter, one of the terms and conditions applicable to all contracts for telephone service was as follows:

"Use of Instruments and Apparatus. The instruments and apparatus furnished to the subscriber shall be carefully used in accordance with the rules of the company; shall not be removed from the subscriber's premises nor connected with any instrument or apparatus not furnished by the company; *shall be used by the subscriber, his agents or employees only when engaged in his business and shall not be used in any way in competition with the business conducted by the company.*" (Italics ours.)*

This provision would undoubtedly prevent the present use of private branch exchange service by hotels, and stand in the way of an extension of such practice along the lines above indicated. Since the hearing, however, the company has attempted to change this regulation, so that the restriction which limits the use of the instruments to the subscriber, his agents or employees, shall apply only to unlimited service, and not to measured service such as is received in connection with private branch exchanges. In the opinion of the Commission this change has not been lawfully made, since the statute (Statutes 1913, Chapter 784, Section 20) provides that no change shall be made in any rate "or in any rule, regulation or form of contract or agreement, in any manner affecting the same" except upon

* The Commission's.

thirty days' notice to the Commission, and no such notice has ever been given. For present purposes, however, we think it desirable not to rest the case upon a regulation of the company which, if it has not already been changed, is at least subject to change, but instead to deal broadly with the matter upon the basis of general underlying principles.

It is immaterial, also, whether the hotels are or are not making a profit from the telephone service. If the company is right in its view that any subscriber to private branch exchange service may resell and make such charges as he sees fit, it is clearly within the power of the hotels to reap a profit if they care to do so. And indeed the evidence submitted to show that they lost money under the old arrangement and are still losing under the new, was not at all convincing. In their computations no allowance was made for the benefit received from free telephone intercommunication between all the rooms and offices, or from the incoming service. If the telephone instruments could not be used at all for outgoing calls and were available only for the delivery of messages, without doubt most hotels would still be willing to pay for the privilege of having them installed. Their present contention seems to be that, unless the tolls from outgoing service are sufficient to cover all payments to the telephone company and other expenses, there is a loss on the service; whereas it is quite clear that, if the collections were sufficient to cover these costs, the hotels would profit by receiving the incoming and interior service entirely without charge. As above stated, however, the question of gain or loss is immaterial, in our judgment, and need not be pursued.

Within by far the greater part of the territory which it serves, the New England Telephone and Telegraph Company is the only concern which has been authorized by law to carry on a telephone business. It has full authority to supply the needs, in this respect, of all individuals or corporations; and within the limits of the Commonwealth this Commission has equally comprehensive jurisdiction over

C. L. 84]

the rates which it charges. The public policy, in other words, has favored a unified service, with undivided and centralized responsibility. If subscribers, however, may purchase service in bulk and resell it to others, either they must be regarded as additional common carriers, subject to the supervision of the Commission and to the duty of publishing and filing the rates which they charge and dividing responsibility with the telephone company, or else there is a broad field of telephone service over which the Commission has no jurisdiction or regulative powers whatsoever. In our judgment, no such authority to deal in telephone service has ever been granted by the Commonwealth, and those who engage in this practice do so without lawful right.

In reaching this conclusion, we do not have in mind cases where subscribers allow an occasional person to use the service and exact some charge for the accommodation, but instances where the resale has attained the dignity of a commercial practice affected with a public interest. Just where the line should be drawn we do not now undertake to say. For the present it is sufficient to determine whether the case of the hotels, which is now under consideration, falls within or without that line.

As already stated, hotel telephone service may conveniently be divided for purposes of discussion into two parts, the room service and the corridor service. In the case of the room service, it is clear that the charges levied upon the guests constitute a recognized commercial practice, and we think it clear also that this practice is affected with a public interest. Counsel for the hotels argued, in substance, that they are not required by law to provide a public telephone service, or indeed any telephone service at all; that they have a legal right to restrict service to their guests; that they do so restrict it; that there is a distinction which must be recognized between the general public and members of the general public, like these guests, who have seen fit to place themselves in a new classification; and that the service is in no sense furnished to the

general public but private service confined to a particular class. This contention makes it necessary to consider the general status of innkeepers and hotels.

Hotels are in a very definite sense public focusing or assembling places. Their guests come not only from all parts of this country but from all over the civilized world. They are established and maintained to serve that clearly defined portion of the public for whom the law has always been solicitous, viz: travelers and strangers. It is the same section of the public which is served by common carriers of passengers, and the liability of a proprietor of a hotel in common law is like that of a common carrier. See *Mason v. Thompson*, 9 Pick. 280. The opening of a hotel is an invitation to this public to become its guests, and the hotel proprietor becomes a kind of public person on whom the law imposes certain extraordinary obligations. This has been true for centuries.

"The person who erects the sign charges himself to the Commonwealth." See *Rex v. Collins*, Palmer, 372 (1623).

Tradesmen may sell to whom they please and, speaking generally, charge for their wares what they please. It is not so with hotel proprietors. They "may not pick and choose" their guests, but are bound to receive up to the capacity of their facilities all transients of good character who apply peaceably, who are free from any contagious or infectious disease, and who have the ability to pay for their entertainment and service. They cannot set their own prices, but are bound to reasonable prices. In other words, they must serve for a reasonable compensation all the public that come within the class which the hotels are established to serve. And in the same sense that a booth at a public telephone station is public, or a seat in a parlor car, or a berth in a sleeping car, so is every room in a hotel that is let to guests.

While it may be true that there is no legal obligation on the hotel proprietor to have telephone service in his house, it is also true that telephone connection is not only a usual but an indispensable adjunct to the running of a successful

C. L. 84]

hotel, at least in all urban centers. In other words, a general profession or understanding that a hotel has telephone connection for the use of its guests is a prime necessity under modern conditions. This, however, is of secondary consequence. The essential fact is that, when telephone service is provided by a hotel, it is offered for the use of a well recognized section of the general public, constantly shifting in its make-up and to which any member of the general public may at any time belong.

"It is ordinarily said that those who undertake a public service owe a duty to the public in general, whatever may be their inclinations. But it will be found upon inquiry that in the case of every calling, service is legally due to persons belonging to a special class and not to every member of the public, as such." See *Wyman on Public Service Corporations*, Section 360.

Thus, the duty of carriers of passengers and innkeepers is to travelers; the duty of gas and electric companies and similiar utilities, to the occupiers of premises; the duty of sleeping and parlor car companies, to passengers on trains, etc.

There can be no doubt, we feel, that the commercial practice of the hotels in selling telephone service to guests in rooms is affected with a public interest. If this be true of the room service *a fortiori* it is true of the corridor service, for the latter is not even confined to the use of guests but is open indiscriminately to all persons who may be within the building and willing to pay the 10-cent charge.

It is quite possible that the motives of the hotels in this matter are not open to serious criticism, and it may also be a fact, although this is more doubtful, that their guests find no fault with the present arrangement. But all this has little bearing upon the real underlying issue, which is that the telephone company is dividing responsibility for a portion of its service, placing private parties in a position where they can deal with a section of the general public and make such charges for the service as they see fit. The following statement made by counsel for the hotels at the public hearing is significant in this connection (Record, p. 121):

Commissioner Russell. Would you say, Mr. Sullivan, that there is any limit to what the hotels may charge except their own conscience or opinion of what was advisable?

Mr. Sullivan. I say no. In my view of the law, assuming this is a private service, there is no limit.

Commissioner Russell. If you are right, they may charge any figure they can collect?

Mr. Sullivan. There is no doubt about it, but I am equally sure that a hotel would have common sense enough, and a desire to please guests so that it would not charge an extortionate rate."

The service does not differ, of course, from the service furnished elsewhere. Standard instruments are used, and no special attention or facilities are afforded by the telephone company beyond what are generally provided. At some of the hotels the surroundings are attractive and various courtesies are extended, but these have no direct connection with the actual telephone service and compensation for such accommodation is received in other ways. As matters now stand, 10 cents is charged at hotels for precisely the same service which is furnished at public pay stations for 5 cents; and there is nothing to prevent the 10-cent rate from being increased without limit.

Viewed in the most favorable light, the practice has undesirable and dangerous possibilities, and in our opinion it is also contrary to law. It may be argued that, if the transactions of the hotels in telephone service are affected with a public interest, the remedy is to regulate the charges which they make. This is, in fact, substantially the position taken by the company in its brief.

"If upon any investigation which this Honorable Commission sees fit to institute it is found that any hotel, or in fact any corporation, individual or association, is furnishing or rendering telephone service for public use within the Commonwealth, such corporation, association or individual has constituted itself a carrier within the purview of the section hereinafter quoted, and has become subject to the jurisdiction and regulation of this Commission.

The fear, therefore, concerning the subletting of its business by the telephone company is unfounded. That the telephone company would so sublet its business is a possibility so remote as to be unworthy of serious consideration. However, if it should do so the persons, firms or cor-

C. L. 84]

porations to whom such business might be sublet will be subject to the same regulating authority which today regulates the rates and services of all carriers under the Act."

But this is an inadequate view of the matter, for the hotels, as their counsel has pointed out,

"were not incorporated for the purpose of rendering a public telephone service"

and have no lawful authority either to furnish or to join in furnishing or to deal in such service. Within the territory in question, there is but one agency which has been authorized by the Commonwealth to supply and deal in telephone service, and that agency is the New England Telephone and Telegraph Company. It is given undivided responsibility and cannot, in our judgment, shirk or avoid that responsibility by selling its service in wholesale quantities and permitting others to retail it to the public.

It remains to determine the action which should be taken by the company to bring itself into right relations, in this respect, with the public which it has been created to serve. The first step, we believe, should be a proper restriction of private branch exchange service, as furnished to hotel companies or other licensed innkeepers. This can be done by adopting and enforcing the condition that any service so furnished shall not be resold by the subscriber to the public or any section thereof, either directly or indirectly, through a charge for the use of the instruments and apparatus. In other words, this form of service should be what its name implies, private rather than public.

The manner in which the guests' service, in our judgment, should be supplied may be illustrated by a precedent which has already been established. Provision is made in the company's contract practices for the establishment of branch exchange public telephone stations in hotels, clubs or other similar locations where public telephone stations are necessary. These stations furnish service on the same general basis as the ordinary public pay stations, except that calls are handled through a local switchboard, and the patron, instead of depositing the amount of the charge in

[Mass.]

a coin box, pays it to the proprietor, who acts as agent for, and accounts to the company. In both cases a flat rate of 5 cents is charged for all local calls, and the proprietor receives the same percentage of the receipts as a commission on the business transacted. Where the total receipts exceed \$100 a year this commission in the metropolitan district is equivalent to 1 cent on each 5-cent call, with a similar percentage on long distance business. Under existing contracts for public branch exchange service the company furnishes, without charge, a switchboard and its equipment and all necessary trunk lines, but makes a monthly charge of 25 cents (minimum \$1.75 per year) for each telephone instrument (minimum 30 stations) to cover its use by the agent for intercommunicating purposes, and may also require the agent to assume proper installation and maintenance charges. The agent also furnishes the necessary operators at his own expense, presumably upon the theory that the commissions upon the relatively large volume of business handled will be ample to provide for this expense.

This arrangement, we understand, has been established principally for the accommodation of summer hotels to provide their guests with long distance telephone facilities, and it is quite possible that it may not be adapted in precisely its present form to the service now under consideration. We believe, however, that an equitable arrangement of similar nature can be devised which will cover the necessities of the situation, enabling patrons to secure service at the regularly established rates and dealing fairly with both the hotels and the company. If the hotel company, for the more convenient and economical handling of its own private business, should desire to become a subscriber to the regular exchange service at the established rates, that service and the room service under the public branch exchange arrangement could probably be furnished over separate trunk lines to the same switchboard, and handled by the same operators. The corridor service might be operated directly by the telephone company, as in the past,

C. L. 84]

under a contract providing for the payment of a fixed annual rental for the space occupied, or, at the option of the hotels, might be combined with the room service under the new arrangement. If the latter plan were adopted, the hotels could confine the service, even in the corridors, if they saw fit, to the use of the guests. Just as the hotels themselves are obliged by law to only serve travelers, this form of public telephone service in the hotels could reasonably be confined to the well recognized section of the public which the guests constitute. In order that there may be reasonable opportunity for all interested parties to consider and be heard upon the terms of the new arrangement before they are definitely fixed, the order of the Commission requiring the discontinuance of the present practice, which is entered below, is made effective on December 1, 1918, and the company is directed on or before November 1, 1918, to submit to the Commission for its approval a tentative plan and schedule for the furnishing of hotel telephone service upon the suggested new basis.

ORDER.

In the above-entitled case, it appearing that full investigation of the matters and things involved has been had and that the Commission, on the date hereof, has made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

It is ordered, That on and after the first day of December, 1918, all telephone companies doing business within the Commonwealth be, and they are hereby, required to cease to render to licensed innkeepers, private branch exchange telephone service, except upon the condition that the service so furnished shall not be resold by the subscriber to the public or any section thereof, either directly or indirectly through a charge for the use of the instruments and apparatus.

It is further ordered, That on or before the first day of November, 1918, said telephone companies be, and they are

hereby, required to file with the Commission schedules, effective on the first day of December, 1918, subject to its approval after public hearing, under which licensed innkeepers, may, as agents for the telephone company, provide telephone service in their rooms, or in their rooms and corridors, at the regular rates charged from public pay stations.

It is further ordered, That a copy of this order be filed at the office of the Commission and that copies be forthwith served upon all telephone companies operating within the Commonwealth.

September 30, 1918.

MICHIGAN.

Railroad Commission.

**VALLEY HOME TELEPHONE COMPANY v. UNION TELEPHONE
COMPANY AND MICHIGAN STATE TELEPHONE COMPANY.**

Decided August 6, 1918.

**Jurisdiction of Railroad Commission over Physical Connection Agree-
ments Between Telephone Companies Held to Prevent Suit
for Specific Performance of Physical Connection Con-
tracts until Jurisdiction was Exercised.**

On August 6, 1918, the Saginaw County Circuit Court dissolved its temporary restraining order, and dismissed the bill of Valley Home Telephone Company, which sought specific performance of a contract for physical connection, which it was alleged a proposed consolidation of defendants would impair, upon the ground that such a consolidation agreement would not be legal until approved by the Railroad Commission, whose order the courts could review and, therefore, the court would not act until the Commission had acted.

The Commission later approved said consolidation, subject to plaintiff's rights. (See following case.)

In re APPLICATION OF UNION TELEPHONE COMPANY AND
MICHIGAN STATE TELEPHONE COMPANY FOR AUTHORITY
TO ENTER INTO AN AGREEMENT RELATIVE TO THE
EXCHANGE AND CONSOLIDATION OF THEIR PROPERTIES.

T-200.

Decided October 11, 1918.

**Consolidation of Companies, Subject to Traffic Agreements Previously
Entered Into with Other Companies, Authorized.**

OPINION AND ORDER.

The application and petition of the above-named petitioners was filed with the Commission on the fifth day of

September, 1918, under the provisions of Act 206, Public Acts of Michigan of the year 1913, praying for an order authorizing said petitioners to finally enter into a contract relative to the exchange and consolidation of certain of their properties, and for the approval by the Commission of the said contract.

And the said matter having been set for hearing before the Commission upon the nineteenth day of September, 1918, at 10 o'clock in the forenoon, and the Valley Home Telephone Company having appeared in said cause as an intervenor and filed its pleading therein praying:

"That the Union Telephone Company and Michigan State Telephone Company be required to recognize and perform the contract of Valley Home Telephone Company dated May 20, 1899, and that any transfer or exchange of properties authorized by order of Michigan Railroad Commission herein be made subject to said contract.

That said telephone companies be required to send Valley Home Telephone Company from the territory affected by said proposed exchange of properties, the same proportion of toll business as Valley Home Telephone Company has in the past received therefrom.

That said telephone companies be required to have the exchanges and lines of Valley Home Telephone Company in the cities of Saginaw and Bay City connected with all the toll lines or circuits now owned or hereafter acquired by Union Telephone Company or Michigan State Telephone Company, entering either of said cities, or transmitting toll messages thereto or therefrom, in such a manner and to such an extent that all Valley Home telephone users will have, upon exactly the same terms and conditions and without discrimination, the same telephone service over said circuits or any of them as do or will the telephone users of either the Union Telephone Company or Michigan State Telephone Company in said cities, or any other city or point on said toll lines or circuits, or on any circuit or circuits affected by said proposed exchange of properties."

And the Clinton Telephone Company and the Ovid Mutual Telephone Company having appeared in said proceeding by *George Hunter*, their attorney, and orally presented their respective claims substantially as follows: That the proposed exchange of properties and consolidation thereof should not be permitted to reduce the facilities now accessible to the subscribers of the intervening companies;

C. L. 84]

And it having been made to appear to the Commission from said petition and the testimony and documents presented in support thereof, and from the intervening petition of the Valley Home Telephone Company and from the oral statements made upon behalf of said Clinton Telephone Company and said Ovid Mutual Telephone Company, that the Union Telephone Company owned certain telephone facilities and operated certain telephone exchanges and toll lines within the territory indicated by a map thereof filed in this proceeding as Exhibit No. 5, and that the Michigan State Telephone Company owns certain telephone facilities and operates certain exchanges and toll line facilities within the same territory, and that at various points within said territory each of said companies operates a telephone exchange, each independent of the other and not connected together, and that at certain points within said territory one of said companies operates a telephone exchange and the other of said companies operates a telephone pay station for toll line service separate from and not connected with the local telephone exchange; that at various points in said territory said companies have connected with their facilities, the telephone lines and facilities of certain other independent locally owned telephone utilities, and that public convenience and necessity will be conserved by the merger and consolidation of the properties of said applicants as proposed by the contract attached to and made a part of their application in this proceeding, and that such merger, sale or exchange of properties and consolidation of properties are in furtherance of public convenience and necessity;

And it further having been made to appear that the property which is to be exchanged, sold and consolidated under the terms of said proposed contract has been inventoried and appraised and detailed inventory and appraisals have been filed as a part of the proofs in this proceeding, from which it appears that the property which the Michigan State Telephone Company proposes to sell to the Union Telephone Company is of the value of \$319,444.10, and that

the property of the Union Telephone Company, which it proposes to sell to the Michigan State Telephone Company is of the value of \$157,610.99, indicating a net difference in valuation of property to be sold or exchanged according to said appraisal of \$161,833.11; and it appearing that said appraisals were fairly and accurately made and that they included only tangible properties of said petitioning companies, and that due and proper deductions have been made from reproduction cost new to cover the depreciated condition of said properties; and it further appearing that the net amount of money to be paid by the Union Telephone Company to the Michigan State Telephone Company to adjust said difference in appraised value is but approximately 78 per cent. of said net difference in appraised value, or \$125,857, whereby it is made to appear to the Commission that the property to be sold or exchanged is of at least the value at which it is to be taken;

And it appearing to the Commission that the property of the Union Telephone Company is free and clear from all liens and incumbrances, but that the property of the Michigan State Telephone Company is subject to certain liens and incumbrances which, however, are to be removed from the property which the Michigan State Telephone Company proposes to convey to the Union Telephone Company so that the Union Telephone Company will take title to certain properties free and clear of all such liens and encumbrances;

And it further being made to appear to the Commission that the execution of said agreement, and the exchange, sale and consolidation of the facilities as provided by its terms, will result in substantially extending the telephone services available to telephone subscribers within the territory specified and in facilitating the transmission of so-called toll or long distance telephone messages within said territory and other telephone patrons throughout the State and will not in any instance or respect reduce the service now being given to any telephone patron and deprive them of any connection or services which they now enjoy;

C. L. 84]

Therefore, by virtue of the authority vested in this Commission by law, it is ordered,

1. That said contract attached to and made a part of the application of said Union Telephone Company and Michigan State Telephone Company be, and the same is hereby, approved and the parties thereto are hereby authorized to enter into, execute and perform the same, subject to the expressed provisions of this order hereafter specified.

2. No change in any existing rate, charge or practice at any of the places within the territory specified shall be made by either party except upon further application to and order of this Commission.

3. All long distance or toll calls involving the use of any of the facilities of either of the said petitioning companies or any of their respective connecting companies within the territory specified shall be so routed as to give to the public the most expeditious and efficient services, and so as to terminate in the exchange to which the person called (if a telephone subscriber) is a subscriber.

4. That in all matters of service, rates, rentals, charges, rules or regulations, the contract between the parties, and the relations of the petitioners themselves, or between themselves and the public or any other connecting telephone company or utility, shall be subject to such further order as may from time to time be issued under the authority of this State in the exercise of any lawful regulatory powers.

5. That the patrons of each of said petitioning companies and the patrons of any of the connecting companies now having access to or service over the lines or facilities of said petitioning companies, respectively, shall continue to have and enjoy all of such facilities, and in addition thereto shall have access to and service over the lines and facilities acquired by said petitioning companies respectively, subject to the established rates, tolls and charges for such service.

6. That within thirty days from and after the date of this order each of the said parties to the proceeding shall

file with the Commission their written acceptance of the terms of said order, and that within ninety days from the date of this order said Union Telephone Company and Michigan State Telephone Company shall file with the Commission their joint service report verified in writing showing the execution of said contract as modified by the terms of this order and the transfer and consolidation of property and facilities thereunder, or so much of said transfer and consolidation as shall have then been consummated, and shall file like report, showing its progress in the matter of its transfer and consolidation of facilities, in writing at the end of each sixty days thereafter, until the terms of this order, and of said contract as modified by the order, shall have been fully performed.

It is further ordered, That a verified copy of this order be served upon the Michigan State Telephone Company by delivering said copy to Thomas G. Long, attorney for said company; upon the Union Telephone Company by delivering a copy thereof to Wm. A. Balke, attorney for said company; upon the Valley Home Telephone Company by delivering said copy to A. H. McMillen, attorney for said company; upon the Clinton Telephone Company and the Ovid Mutual Telephone Company by delivery of said copies to George Hunter, attorney for said companies, and that each of said attorneys forthwith acknowledge receipt of said copy.

Dated October 11, 1918.

MINNESOTA.

Railroad and Warehouse Commission.

In re APPLICATION OF WORTHINGTON TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES FOR LOCAL SERVICE
AT WORTHINGTON.

Decided October 16, 1918.

**Increase in Rates Authorized — Discrimination Eliminated — Uniform
System of Accounts Ordered Installed.**

OPINION AND ORDER.

Pursuant to notice, hearing in the above matter was held at Worthington, Minnesota, March 21, 1918.

The Worthington Telephone Company has for a number of years operated a local exchange at Worthington, Minnesota, and rural lines in the vicinity thereof, and now serves approximately 763 local and rural stations. The present rates of the company are as follows:

	<i>Per Month Gross</i>
Individual line business.....	\$2 25
Two-party line business.....	2 25
Individual line residence.....	1 25
Two-party line residence.....	1 25
Desk telephones in residences.....	1 50
Multi-party, rural	1 25

	<i>Per Annum Gross</i>
Rural switching	\$5 00

A discount of 25 cents per month is allowed from the above rates for prompt payment, except that in the case of rural switching a discount of 25 cents per quarter is allowed for prompt payment.

156 MINNESOTA RAILROAD AND WAREHOUSE COMMISSION.

[Minn.

The petitioner seeks authority to place in effect the following rates:

	<i>Per Month Gross</i>
Individual line business.....	\$2 75
Two-party line business.....	2 25
Individual line residence.....	1 75
Two-party line residence.....	1 50
Four-party line residence.....	1 25
Rural multi-party	1 25
	<i>Per Month Gross</i>
Rural switching	\$5 00

A discount of 25 cents per month to be allowed from the above rates if the bill is paid on or before the sixteenth of the month in which the service is rendered, except for rural switching a discount of 25 cents per quarter will be allowed if the bill is paid by the sixteenth of the first month of the quarter.

During the past year the company has converted its plant from a magneto to a central energy system, which improvements have materially increased the company's investment in the property. The company furnished an inventory of the property and the Commission has made an exhaustive examination of the books and records of account of the company. Investigation shows that the company is furnishing telephone service to numerous subscribers at special rates lower than the rates on file with this Commission, which is unlawful and discriminatory; also that the records of the company are not kept in accordance with the uniform system of accounts adopted by this Commission.

Upon consideration of the evidence filed and the investigation of the records of the company, the Commission finds that the rates petitioned for are fair and reasonable rates and will not yield more than sufficient revenue to provide for the necessary operating expenses, depreciation and a fair return upon the investment.

It is, therefore, ordered, That the Worthington Telephone Company be, and the same is hereby, authorized to

APPLICATION OF POLK COUNTY TELEPHONE CO. 157

C. L. 84]

place in effect, as of November 1, 1918, the following schedule of rates for local telephone service at Worthington, Minnesota:

	<i>Per Month</i>
	<i>Gross</i>
Individual line business.....	\$2 75
Two-party line business.....	2 25
Individual line residence.....	1 75
Two-party line residence.....	1 50
Four-party line residence.....	1 25
Rural multi-party	1 25
	<i>Per Annum</i>
	<i>Gross</i>
Rural switching	\$5 00

A discount of 25 cents per month is to be allowed from the above rates if the bill is paid on or before the sixteenth of the month in which the service is rendered, except that rural switching rates are payable quarterly in advance, and a discount of 25 cents per quarter is to be allowed if the bill is paid on or before the sixteenth of the first month of the quarter in which the service is rendered.

It is further ordered, That the Worthington Telephone Company immediately discontinue furnishing telephone service at free and reduced rates; also that it install a system of accounts in accordance with the uniform system of accounts prescribed by this Commission.

Dated at St. Paul, Minnesota, this sixteenth day of October, 1918.

In re APPLICATION OF POLK COUNTY TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES FOR LOCAL SERVICE
AT BELTRAMI.

Decided October 19, 1918.

Increase in Rates Authorized — Two-party Service Considered Unnecessary — Uniform System of Accounts Ordered Installed.

OPINION AND ORDER.

The Polk County Telephone Company is a corporation organized in 1905. It operates a local telephone exchange

158 MINNESOTA RAILROAD AND WAREHOUSE COMMISSION.

[Minn.

at Beltrami, Minnesota, and rural lines in the vicinity thereof, serving approximately 67 stations; also rural lines in the vicinity of Crookston, Minnesota, serving 61 stations.

The present rates of the petitioner are as follows:

	<i>Per Month</i>
Individual line business.....	\$1 16 2/3
Two-party line business.....	1 16 2/3
Individual line residence.....	1 16 2/3
Two-party rural (Beltrami).....	1 16 2/3
Multi-party rural (Crookston).....	1 33 1/3

The petitioner seeks authority to place in effect the following schedule:

	<i>Per Month</i>
Individual line business.....	\$1 65
Two-party line business.....	1 50
Individual line residence.....	1 35
Two-party line residence.....	1 25

Multi-party rural rates to remain as at present.

Upon investigation of the books and records of account, it is found that the records are poorly and incorrectly kept and not in accordance with the uniform system of accounts prescribed by this Commission. Until recently the company had been furnishing service to its stockholders at preferential rates, and the present schedule shows the same charge for individual and party line service. Although the proposed schedule is an attempt to correct the discriminatory features of the schedule now in effect the investigation shows that a schedule containing rates for two-party service is unnecessary, and the Commission finds that a rate of \$1.50 for individual line business service and a rate of \$1.25 for individual line residence service is sufficient and will provide sufficient revenue to take care of the necessary operating expenses, depreciation and a fair return on the investment.

It is, therefore, ordered, That the Polk County Telephone Company be, and the same is hereby, authorized to place in

APPLICATION OF WOODGATE TELEPHONE SYSTEM. 159

C. L. 84]

effect, as of November 1, 1918, the following schedule of rates for telephone service at Beltrami, Minnesota:

	<i>Per Month</i>
Individual line business.....	\$1 50
Individual line residence.....	1 25
Multi-party rural	1 16 2/3

It is further ordered, That the Polk County Telephone Company install a system of accounts in accordance with the uniform system of accounting prescribed by this Commission.

Dated at St. Paul, Minnesota, this nineteenth day of October, 1918.

In re APPLICATION OF WOODGATE TELEPHONE SYSTEM TO INCREASE LOCAL AND RURAL RATES AT LAKE WILSON, SLAYTON, BALATON, CURRIE AND IONA.

Decided October 21, 1918.

Increase in Rates Authorized—Reduction in Toll Rates to Non-Subscribers Authorized.

OPINION AND ORDER.

The above-entitled matter came on for hearing before the Commission, September 24 and 25, as follows:

Slayton, September 24, 10:00 A. M., Woodgate's Hall.

Lake Wilson, September 24, 3:00 P. M., Council Rooms.

Balaton, September 25, 10:00 A. M., Reinke's Hall.

There appeared in behalf of the company: *R. W. Terry*, attorney; *J. K. Stone*, appraisal engineer; *R. C. Kast*, secretary, Minnesota Independent Telephone Association; *G. H. Woodgate*, proprietor; *Bertha Glarum*, bookkeeper. And other appearances as follows: *J. Rath*, *C. F. Karsten*, *J. K. Campbell*, *G. W. Reigelsberger*, *E. V. O'Brien*, *B. I. Weld*, all of Slayton, Minnesota; *Dr. J. J. Balcom*, Lake Wilson; *Mr. Oberg*, Lake Wilson.

160 MINNESOTA RAILROAD AND WAREHOUSE COMMISSION.

[Minn.

The application seeks to put into effect the following telephone rates:

Slayton:

Individual line, business.....	\$2 75 per month gross
Individual line, residence (wall set)...	1 75 per month gross
Four-party line, residence (wall set)...	1 25 per month gross
Rural multi-party (company owned)...	1 75 per month gross
Extension sets, business or residence...	50 per month net
Desk sets, residence service.....	25 per month net additional
Extension bells	2 00 per year

Lake Wilson, Iona, Currie and Balaton:

Individual line, business.....	\$2 50 per month gross
Individual line, residence (wall set)...	1 50 per month gross
Four-party line, residence (wall set)...	1 25 per month gross
Rural multi-party (company owned)...	1 75 per month gross
Extension sets, business or residence...	50 per month net
Desk sets, residence service.....	25 per month net additional
Extension bells	2 00 per year

All rates to be payable quarterly in advance with a discount of 75 cents for gross rates if paid on or before the fifteenth day of the first month of the quarter; a discount of 50 cents if paid on or before the fifteenth of the second month of the quarter, and a discount of 25 cents if paid on or before the fifteenth of the third month of the quarter.

A toll rate of 10 cents for three minutes and 5 cents for each additional minute between any one of the above exchanges and Slayton sent over the toll circuits of said applicant.

The telephone company has filed with this Commission as part of the testimony a valuation of its properties which this Commission has caused to be checked, and the Commission finds that the valuation placed upon the property is a reasonable value. The company under its present rates, with the increased costs arising from the abnormal conditions, shows that the company is making a return of approximately 6 per cent. on its present value; this return to provide for depreciation and return on the investment.

The rates asked for by the telephone company, from all figures that the Commission has at hand, including such expenses effective August 1, 1918, would give a return which this Commission believes to be excessive.

C. L. 84]

The evidence introduced by the telephone company in regard to the placing in effect of the toll rate of 10 cents for three minutes and 5 cents for each additional minute between the exchanges operated by this telephone system, shows that owing to the fact that this is a 5-cent reduction of the rate charged to non-subscribers for this service would cause a reduction in the net return, although at the present time the telephone company makes no charge for service over its entire system to subscribers.

The Commission feels that this charge of 10 cents to the subscribers of the telephone company will greatly lessen the use of the toll lines of the company; will decrease the number of calls which the operators will handle, thus having a tendency to reduce the work in the operating department of the company. This reduction has not been taken into consideration in the figures presented by the telephone company, and no definite conclusions can be arrived at without a trial of the rate.

The present rural multi-party rate is \$1.00 net to all rural subscribers. The telephone company is maintaining grounded circuits throughout its entire system of rural lines and from the evidence of the subscribers at the hearing is giving a very satisfactory service. The proposed rate would cause an increase of 50 per cent. to the rural subscribers. The Commission believes that an increase of 25 cents per month on rural rates will give to the telephone company, together with its other rates herein allowed, a reasonable return upon the property investment. The telephone company claims a great increase of expenses over and above that reflected by its books. In case, after a trial of the rates allowed herein, the telephone company finds that the additional revenues obtained by this increase is insufficient to properly care for the property and give a return on the investment, the telephone company can readily make an application for a further increase, basing their case upon the evidence in the previous hearing and its valuation therein introduced, together with such fur-

The application seeks to put into effect the following telephone rates:

Slayton:

Individual line, business.....	\$2 75 per month gross
Individual line, residence (wall set)...	1 75 per month gross
Four-party line, residence (wall set)...	1 25 per month gross
Rural multi-party (company owned)...	1 75 per month gross
Extension sets, business or residence...	50 per month net
Desk sets, residence service.....	25 per month net additional
Extension bells	2 00 per year

Lake Wilson, Iona, Currie and Balaton:

Individual line, business.....	\$2 50 per month gross
Individual line, residence (wall set)...	1 50 per month gross
Four-party line, residence (wall set)...	1 25 per month gross
Rural multi-party (company owned)...	1 75 per month gross
Extension sets, business or residence...	50 per month net
Desk sets, residence service.....	25 per month net additional
Extension bells	2 00 per year

All rates to be payable quarterly in advance with a discount of 75 cents for gross rates if paid on or before the fifteenth day of the first month of the quarter; a discount of 50 cents if paid on or before the fifteenth of the second month of the quarter, and a discount of 25 cents if paid on or before the fifteenth of the third month of the quarter.

A toll rate of 10 cents for three minutes and 5 cents for each additional minute between any one of the above exchanges and Slayton sent over the toll circuits of said applicant.

The telephone company has filed with this Commission as part of the testimony a valuation of its properties which this Commission has caused to be checked, and the Commission finds that the valuation placed upon the property is a reasonable value. The company under its present rates, with the increased costs arising from the abnormal conditions, shows that the company is making a return of approximately 6 per cent. on its present value; this return to provide for depreciation and return on the investment.

The rates asked for by the telephone company, from all figures that the Commission has at hand, including such expenses effective August 1, 1918, would give a return which this Commission believes to be excessive.

C. L. 84]

The evidence introduced by the telephone company in regard to the placing in effect of the toll rate of 10 cents for three minutes and 5 cents for each additional minute between the exchanges operated by this telephone system, shows that owing to the fact that this is a 5-cent reduction of the rate charged to non-subscribers for this service would cause a reduction in the net return, although at the present time the telephone company makes no charge for service over its entire system to subscribers.

The Commission feels that this charge of 10 cents to the subscribers of the telephone company will greatly lessen the use of the toll lines of the company; will decrease the number of calls which the operators will handle, thus having a tendency to reduce the work in the operating department of the company. This reduction has not been taken into consideration in the figures presented by the telephone company, and no definite conclusions can be arrived at without a trial of the rate.

The present rural multi-party rate is \$1.00 net to all rural subscribers. The telephone company is maintaining grounded circuits throughout its entire system of rural lines and from the evidence of the subscribers at the hearing is giving a very satisfactory service. The proposed rate would cause an increase of 50 per cent. to the rural subscribers. The Commission believes that an increase of 25 cents per month on rural rates will give to the telephone company, together with its other rates herein allowed, a reasonable return upon the property investment. The telephone company claims a great increase of expenses over and above that reflected by its books. In case, after a trial of the rates allowed herein, the telephone company finds that the additional revenues obtained by this increase is insufficient to properly care for the property and give a return on the investment, the telephone company can readily make an application for a further increase, basing their case upon the evidence in the previous hearing and its valuation therein introduced, together with such fur-

ther facts as to the increased expenses since August 1, 1918, as the facts may justify.

The Commission finds that the rates hereinafter authorized are fair and reasonable rates to be charged for telephone service throughout the Woodgate Telephone System:

Slayton:

Individual line, business.....	\$2 75 per month gross
Individual line, residence (wall set)...	1 75 per month gross
Four-party line, residence (wall set)...	1 25 per month gross
Rural multi-party (company owned)...	1 50 per month gross
Extension sets, business or residence...	50 per month net
Desk sets, residence service.....	25 per month net additional
Extension bells	2 00 per year

Lake Wilson, Iona, Currie and Balaton:

Individual line, business.....	\$2 50 per month gross
Individual line, residence (wall set)...	1 50 per month gross
Four-party line, residence (wall set)...	1 25 per month gross
Rural multi-party (company owned)...	1 50 per month gross
Extension sets, business or residence...	50 per month net
Desk sets, residence service.....	25 per month net additional
Extension bells	2 00 per year

Exchange rates to be paid monthly in advance with a discount of 25 cents per month on all gross rates if paid on or before the fifteenth of the month in which the service is rendered.

Rural rates to be payable quarterly in advance with a discount of 75 cents if paid on or before the fifteenth of the first month of the quarter; a discount of 50 cents if paid on or before the fifteenth of the second month of the quarter, and a discount of 25 cents if paid on or before the fifteenth of the third month of the quarter. A toll rate of 10 cents for three minutes and 5 cents for each additional minute between any of the above exchanges over the toll circuits of the Woodgate system.

Therefore, it is ordered, That the Woodgate Telephone System be, and the same is hereby, authorized to place the above rates in effect, as of November 1, 1918.

Dated at St. Paul, Minnesota, this twenty-first day of October, 1918.

MISSOURI.

Public Service Commission.

In re SUSPENSION OF RATES OF WEST PLAINS TELEPHONE COMPANY AT WEST PLAINS.

Case No. 1649.

Decided October 1, 1918.

**Increase in Rates Authorized — 12 Per Cent. for Overhead Considered
Conservative — Overhead for Furniture, Tools and Teams Dis-
allowed — Item of Valuation for Cost of Establishing Business
Disallowed — 5 Per Cent. Fixed for Reserve for Deprecia-
tion — Elements Included in Depreciation Considered.**

The company filed a schedule of rates for service at West Plains, increasing the present rate of \$1.00 per month for direct line residence service to \$1.50 per month. The company furnishes only direct line business and residence service besides switching service for rural stations, and is in good condition and well equipped. During the two years prior to the hearing, the company has increased wages approximately 30 per cent. The company's valuation of its plant gives the cost new less depreciation value at \$31,372.78, including \$2,806.61 for cost of establishing business and \$500 for working capital. The cost new value as of March 1, 1918, was estimated at \$35,476.80, unit costs covering the five-year period just prior to 1914 being used. The Commission found that the company's estimate of \$28,065.17 for the depreciated value of the total physical property, plus \$500 for working capital, was conservative, and excluding the item for cost of establishing business, and cutting down some others, fixed the value of the plant at \$31,000.

The Commission estimated that the proposed rates would increase revenues \$2,496, which would be \$1,014 more than required to pay all expenses, set aside 5.5 per cent. for reserve for depreciation and allow 7.5 per cent. for return on the valuation as found.

Held: That as a rate of \$1.30 will increase the applicant's revenue \$1,497.60, which should be amply sufficient, the proposed scale of rates is unjust and unreasonable, and applicant should be required to cancel the same and to file a new schedule of rates, naming a direct line residence rate of \$1.30 per month;

That the company's estimate of 12 per cent. for overhead expenses is conservative, as the Commission has often approved allowances as high

as 15 per cent. of the value of the physical property, exclusive of items of general equipment;

That the items, furniture and fixtures, and tools and teams, should not be charged with an overhead allowance for engineering, etc., but overhead should be estimated at 12 per cent. of the depreciated value of the physical property, exclusive of the general equipment, and the allowance for overhead expense should accordingly be reduced;

That as there is no proof tending to show actual extra expenditures by the company after the plant was put into service, because the revenue was insufficient to pay operating expenses, etc., and for advertising and publicity work, the allowance for cost of establishing business was improper;

That 5.5 per cent. of the cost of the value of the total physical property, exclusive of working capital and supplies, is amply sufficient for reserve for depreciation, and the company's contention that it should be permitted to set aside 9.5 per cent. should be disallowed;

That the causes for depreciation which require a reserve to be set up are (a) wear resulting from use, (b) physical decay resulting from age, rust, oxidation or exposure to the elements, (c) breakage resulting from accidents to materials of all kinds, (d) sleet storms, (e) damage from fire and (f) obsolescence resulting from inventions of new appliances more efficient or economical, which the owners of telephone property must necessarily install, thus necessitating abandonment of good property long before it ceases to be useful.

REPORT.

On May 25, 1918, the West Plains Telephone Company filed a schedule covering rates for exchange and rural telephone service at West Plains, Missouri, known as P. S. C. Mo. No. 3, effective July 1, 1918, canceling P. S. C. Mo. No. 2. The only difference between the proposed schedule of rates and the present one is an increase of 50 cents per month over the present rate of \$1.00 per month for direct line residence service at West Plains, and a minor modification of the rural switching charges, which latter affects only a small number of patrons.

Thereafter, and before the requested effective date of said new schedule, a large number of patrons of the telephone company filed with the Commission a written protest or remonstrance against the new rate schedule. This remonstrance denied that there was necessity for an increase of the telephone rates at West Plains, and asked

C. L. 84]

that the telephone company be put upon strict proof as to the necessity for such increase. On June 25, 1918, the Commission entered its order suspending the effective date of such proposed schedule of rates for the period of one hundred and twenty days, to and including July 29, 1918, and ordered, upon its own initiative, and without formal pleading, a hearing upon the reasonableness of such proposed increase of rates.

The case was set down for hearing before a special examiner for the Commission at West Plains on July 16, 1918, and because of the large number of patrons signing the above-mentioned protest, and to the end that all interested persons might have ample opportunity to be heard, copies of the Commission's order suspending the proposed rate schedule, and copies of the notice of hearing, were sent to signers of the remonstrance, to the writers of letters of protest, and to the mayor and Commercial Club of West Plains. The case was duly heard at the time and place announced in the notice, and the telephone company appeared and was represented by counsel, and introduced evidence in support of the proposed schedule. Only two of the numerous protestants appeared. The city and Commercial Club were not represented. The case was submitted upon the evidence introduced by the telephone company, and upon statements of the two protestants appearing.

THE FACTS.

The telephone plant at West Plains was established about 1895. The present owners of the plant acquired title to it in 1911. In August, 1914, the building in which the central office was located was destroyed by fire, and nearly all the office equipment with it. The present company thereupon purchased new equipment consisting of a modern switchboard of the common battery type, and reconstructed nearly all of the outside plant. The plant at the present time is composed of a common battery, central station equipment and metallic circuit line system. It appears from Exhibit B, offered in evidence by the company, that it owns and renders service to 106 direct line business and office stations;

420 direct line residence stations; and a small number of business and residence extension stations. In addition, it renders switching service to 127 rural stations. The system is unique in that it has a common battery and metallic circuit system, though it has less than 600 connected subscribers. So equipped, it is capable of rendering much better service than most telephone companies serving cities with the population of West Plains.

The direct line residence rate, which is the only rate in question here, has been \$1.00 per month at West Plains since the establishment of the plant.

The company renders no two-party or four-party service. The exchange, until two years prior to the date of the hearing, had been operated under a twenty-year franchise granted by the city, which prescribed a maximum residence rate of \$2.00 per month. This franchise was renewed about two years prior to the date of the hearing, and the maximum residence rate was again prescribed at \$2.00 per month. Inasmuch as the proposed rates are lower than the maximum prescribed in the franchise, the question of the Commission's power to authorize the charging of rates which are higher than those fixed in the franchise contract, does not arise. The franchise also requires payment to the city of 2 per cent. of the gross annual earnings of the telephone company. J. W. Boyer, manager of the telephone property and president of the company, testified that the increased rate was made necessary by reason of wage increases granted employees of the company during the two years prior to the hearing, which increase, he stated, amounted to approximately 30 per cent.

VALUATION OF TELEPHONE COMPANY PROPERTY.

Mr. Boyer testified that he and the other owners of the property acquired same by exchanging land for it; that since the acquirement, both the outside plant and central station equipment have been very largely renewed; that he did not know the value of the plant, and to secure definite

C. L. 84]

information as to its value, he employed, in the spring of 1918, the Topping Valuation Company of Kansas City to make a valuation of the entire property.

Mr. H. H. Griffith, an experienced telephone valuation engineer, was sent to West Plains by the Topping Valuation Company in March, 1918, and was engaged for a week or ten days in making an actual field count of all the physical units of the plant. Afterwards units costs and values were applied to the various units of the plant; overhead cost and cost of establishing business were estimated; the per cent. condition or depreciated value of the property was ascertained, and the results of these various steps were filed in a valuation or appraisal report, which was offered in evidence in connection with the oral testimony of Mr. Griffith. Such report fixed the cost new less depreciation value of the telephone company property at \$31,372.78, including \$2,806.61 for cost of establishing business and \$500 for working capital. The cost new value of the property was estimated to be \$35,476.80. The appraisal is not made as of a specific date, but from the oral testimony of Griffith, it appears that the inventory of property was made about the first of March, 1918.

The summary of the valuation report by the Topping Valuation Company, is as follows:

	<i>Account Number</i>	<i>Cost New</i>	<i>Cost New Less Depreciation</i>
Central office telephone equipment...	221	\$6,590 27	\$6,260 76
Other equipment of central office....	222	131 05	104 84
TOTAL CENTRAL OFFICE EQUIPMENT	220	\$6,721 32	\$6,365 60
<i>Station Equipment:</i>			
Station apparatus	231	4,878 80	4,375 44
Station installments	232	1,094 00	984 60
Booths and special fittings.....	235	65 00	48 75
TOTAL STATION EQUIPMENT.....	230	\$6,037 80	\$5,408 79
<i>Exchange Plant:</i>			
Exchange pole plant.....	241	4,143 73	3,314 98
Exchange aerial cable.....	242	4,877 07	4,389 36
Exchange aerial wire.....	243	4,076 50	3,465 03
Underground conduit	244	134 76	128 02
Underground cable	245	522 85	496 71
Right-of-way	207	545 00	436 00
		\$14,299 91	\$12,230 10
<i>General Equipment:</i>			
Office furniture and fixtures.....	261	\$510 27	\$408 22
General stable and garage equipment.	264	482 00	337 40
Tools and implements.....	265	122 60	98 08
		\$1,114 87	\$843 70
SUB-TOTAL		\$28,173 90	\$24,848 19
Overhead expenses, 12 per cent.....		3,380 87	2,981 78
		\$31,554 77	\$27,829 97
Supplies		242 32	236 20
TOTAL PHYSICAL PROPERTY.....		\$31,797.09	\$28,066 17
Cost of establishing business.....		3,179 71	2,806 61
Working cash		500 00	500 00
TOTAL PUBLIC SERVICE INVESTMENT.....		\$35,476 80	\$31,372 78

C. L. 84]

The full report is complete and contains an itemized statement of the various units of the property under account numbers in accordance with the Interstate Commerce Commission classification, as adopted by this Commission for Class D companies, and also contains a complete statement of the unit costs used, with those used in the valuation of other telephone properties in recent rate cases before the Commission, indicating that such costs are not high. Some variance from prices heretofore approved appears, but such variance arises from lower as well as higher estimates.

In determining cost units, an average price during the five-year period just prior to 1914, or a pre-war period, was used. On the whole, the estimate of \$28,065.17 for the depreciated value of the total physical property, plus \$500 for working capital, given in the Topping company's report and certified by the valuation engineer, Griffith, appears to be conservative.

The cost new less depreciation estimate includes an item of \$2,981.78 for overhead expenses, calculated by the engineer at 12 per cent. of the depreciated value of the physical property, including the total value of the general equipment, consisting of office furniture and fixtures, general stable and garage equipment, tools and equipment. The 12 per cent. estimate for overhead expenses is conservative. Estimates for overhead expense have been presented to the Commission and approved by it in telephone valuation cases in amounts equal to 15 per cent. of the value of the physical property, exclusive, however, of items usually placed under the head of general equipment.

In *Sims v. Columbia Telephone Company**, 2 Mo. P. S. C. 256, the Commission expressly held that the items "furniture and fixtures" and "tools and teams," were not chargeable with an overhead allowance for engineering, etc. We think the overhead allowance should be estimated at 12 per cent. of the depreciated value of the physical

* See Commission Leaflets No. 28, p. 411; No. 42, p. 96, and No. 66, p. 1533.

property, exclusive of the general equipment. Such overhead expense allowance should, therefore, be reduced from \$2,981.78 to \$2,880.53.

The valuation engineer Griffith testified that he had determined the depreciated value of the plant by an actual field investigation. The percentage condition, or depreciated value of the plant, appears higher than the average condition of telephone property serving cities of the population of West Plains. However, the testimony indicated that the entire plant is well maintained. The switchboard is a 1600 line capacity Western Electric No. 1, common battery, modern unit, and is stated to be in 96 per cent. condition. The fact that a common battery system is installed is indicative of the maintenance of the plant in a high per cent. condition. Engineer Griffith testified that it is necessary to keep a common battery plant in better condition than a magneto or local battery system.

The summary of the Topping valuation report includes an item for cost of establishing business which is added to the value of the total physical property, both in the cost new and cost new less depreciation estimates, and is included in the public service investment, which the telephone company claims is the basis for determining the reasonableness of its proposed rates. Substantiation for the claim is made in this case upon the familiar theoretical ground that after a plant has been furnished and put into service, there usually elapses a time before the revenue derived from the service is sufficient to pay operating expenses, annual depreciation, and a fair return upon the investment; that the public must be educated to the use of the service offered; that there must be solicitors, newspaper publicity, advertising through the various mediums, etc. There is no proof in this case tending to show actual expenditures by the West Plains Telephone Company for any of these purposes.

CONCLUSIONS AS TO VALUE.

Having carefully considered all of the evidence in this case, the Commission concludes that the tentative value of

C. L. 84]

this plant, including both tangible and intangible values, for rate-making purposes, is \$31,000.

REVENUES AND EXPENSES.

The company filed a statement showing revenues and expenses, from which it appears that the revenue earned by the company from all sources for the past year was \$9,621.01. The revenue derived from the 416 residence direct line subscribers at the present rate of \$1.00 per month was \$4,992. The proposed rate of \$1.50 per month, for the same number of subscribers, will yield a revenue of \$7,488, an increase of \$2,496.

The expenses of the company for the year 1917 were shown by three separate statements, Exhibits A, B and D, introduced in evidence. The first of these statements, prepared and filed with the Commission on May 25, 1918, in connection with its rate schedule, and offered at the hearing as Exhibit B, shows the total operating expenses as \$6,871.39. Exhibit A, and the statement of annual operating expense in Exhibit D, offered at the hearing, give the total operating expense as \$6,596.85. The discrepancy appears to arise because maintenance is given as \$774.54 in Exhibit B, and as \$500 only in the other exhibits. The item of \$500 is stated in Exhibit A as the actual expenditure in 1917 for maintenance material. If this be correct, the additional amount of \$274.54 appearing in the item maintenance, in Exhibit B, is doubtless intended to cover labor in installing maintenance material.

However, we understand from the evidence that all of the labor expenditures of the company for any purpose are included in the items of wages and salaries, and the inclusion of an amount for labor under maintenance, would necessarily be a double allowance therefor.

The details of the operating expenses are shown in Exhibit D, page 8, as follows:

	<i>Per Month</i>	<i>Per Year</i>	<i>Total Per Year</i>
Manager, one	\$150 00	\$1,800 00	\$1,800 00
Clerk, one	25 00	300 00	300 00
Operators, three	25 00	300 00	900 00
Chief operator, one	30 00	360 00	360 00
Wire chief, one at \$15.00 per week.		780 00	780 00
Lineman, one at \$12.00 per week.		624 00	624 00
Rent — average	25 00	300 00	300 00
Light and power			138 29
Heat, 1917			99 23
Attorney	*38 00		*38 00
Insurance:			
Fire	108 00		108 00
Indemnity	75 00		75 00
Taxes, 1917	273 17		273 17
Printing, stationery and advertising.	303 16		303 16
Maintenance material, estimate.			500 00
			<hr/>
			†\$6,596 85

ANNUAL OPERATING EXPENSES.

The manager of the company testified that since the statements of operating expenses were prepared, the wages of employees had been increased as follows: one chief operator increased from \$30.00 to \$35.00 per month; one wire chief increased from \$15.00 to \$20.00 per week; one lineman increased from \$12.00 to \$15.00 per week. The total of these increases is \$476 per year.

In applicant's Exhibit B appears a statement of estimated expense, which indicates slight increases in the items of light, heat and power, insurance, taxes, maintenance and other expenses. However, no oral testimony was offered showing the likelihood of these increases. The same exhibit also shows under estimated revenue small increases in revenue resulting from probable larger toll commissions and from an adjustment of the rural switching

* So appears in original.

† A slight error is apparent.

C. L. 84]

charge, affecting only a small number of rural subscribers. In the absence of definite testimony, these minor increases of expense and revenue will be considered as balancing each other and as not affecting the result herein.

ANNUAL DEPRECIATION.

Applicant company contends that it should be permitted to earn and set aside for annual depreciation or depreciation reserve, \$3,018, or 9.5 per cent. of \$31,644, the total cost new value of the physical property. This, we think, is more than adequate.

The causes for depreciation of telephone property, requiring the setting up of a reserve, are usually stated to be: (a) wear, resulting from use; (b) physical decay, resulting from age, rust, oxidation or exposure to the elements; (c) breakage, resulting from accidents to materials of all kinds; (d) sleet storms; (e) damage from fire.

In addition to these, another element must be considered. That is obsolescence, resulting from inventions of new appliances, more efficient or economical, which the owners of telephone properties must necessarily install, thus necessitating the abandonment of good property long before it ceases to be useful.

The elements of depreciation through damage to outside plant by sleet storms, and physical decay resulting from exposure to the elements, must vary with climatic conditions. It is a matter of general knowledge that sleet storms and the accumulation of hanging ice are rarer and less destructive in southern Missouri than in Nebraska, Michigan, Montana, Illinois, and other states where more rigorous climatic conditions are usual.

The testimony of Engineer Griffith that a common battery plant must be maintained in a higher per cent. condition than a local battery plant, does not indicate that depreciation which must be cared for by setting up a depreciation reserve, is higher. On the contrary, if the plant is kept in unusually high per cent. condition through maintenance, the amount of depreciation which must be cared for out of reserve is correspondingly low.

We find that 5.5 per cent. of the cost new value of the total physical property, exclusive of working capital and supplies, or \$1,735, is amply sufficient for annual depreciation reserve for this property.

IN CONCLUSION.

As shown, the gross revenue of the company for the past year was \$9,621.01; the expenses of the company for the same period were \$6,596.85. The evidence shows that such expenses have been increased by higher salaries and wages amounting to \$476 per year. Allowing the earning of \$1,635 for depreciation reserve, it is apparent the company would only receive a net return of \$813.18, or 2.6 per cent. of \$31,000. Assuming an allowance of 5.5 per cent. for depreciation reserve and 7.5 per cent. for return on the public service investment of \$31,000, the income allowable for interest and depreciation reserve would be \$4,030, which is \$1,481.84 more than would be received under present rates and increased cost of operation.

Applicant's rates should be increased to the extent necessary to permit the earning of this additional revenue. Applicant's Exhibit B shows that the proposed rate of \$1.50 for residence lines will yield \$2,496 additional revenue. This is \$1,014 more than is required. A rate of \$1.30 will increase the applicant's revenue \$1,497.60. The applicant has not discharged the burden imposed upon it by statute, to show the proposed schedule of rates is just and reasonable and it will be required to cancel same. It will be permitted, however, to file a new schedule of rates naming a new direct line residence rate of \$1.30 per month. The minor adjustment of Class A rural switching rate named in the proposed schedule, may likewise be named in the new schedule.

Such rates named will increase the annual revenue of the applicant approximately \$1,500, bring the total revenue to approximately \$11,000 annually, which sum will be ample for the present to cover operating expenses, reasonable

C. L. 84]

average return on the value of the property and also provide for depreciation and contingencies.

An order will be entered in accordance with the foregoing.

ORDER.

The Commission having by its order of record in this case, on the twenty-fifth day of June, 1918, upon its own initiative suspended the operation of the proposed new schedule of rates for telephone service filed by the West Plains Telephone Company entitled P. S. C. Mo. No. 3, and full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed its report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof;

Now, upon the evidence in this case, and after due deliberation,

It is ordered, 1. That the Commission, disapproving at this time of the rate for direct line residence service as contained in the West Plains Telephone Company's P. S. C. Mo. No. 3, hereby orders that the said schedule of rates be cancelled and withdrawn from the files of the Commission on or before the fifteenth day of October, 1918.

Ordered, 2. That the applicant be permitted to file with this office a new schedule of rates on or before October 15, 1918, effective November 1, 1918, wherein an increase in the direct line residence service shall be allowed from \$1.00 to \$1.30 per month, and new rates established for Class C and D rural switching service, where the subscribers furnish part of the equipment necessary, and that the order shall be in full force and effect on and after November 1, 1918.

Ordered, 3. That any and all increase of rates herein authorized or permitted shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates of said company shall then be reduced and restored

by said company to the rates now on file or charged by it; *provided* that the Commission may hereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 4. That the said company be required to keep a full and accurate account of the revenues and expenses of its exchange and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other report required by law; and that the Commission fully retain jurisdiction of the parties and subject matter of this cause to continue, change or modify the rates of said company upon the expiration of said period of one year after the effective date of this order, or at any other time, upon the evidence and facts now before the Commission, together with such other evidence as the company or any interested party may offer.

Ordered; 5. That the secretary of the Commission serve a duly certified copy of this order upon the Honorable A. S. Burleson, Postmaster General of the United States and Director General of Telephone and Telegraph Lines, and upon the West Plains Telephone Company, and that a copy of this order be filed with said secretary in the office of the Commission.

Ordered, 6. That the applicant, the West Plains Telephone Company, be, and it is hereby, required to notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, within five days after the receipt of the certified copy of this order and report herein, whether the terms of this order are accepted and will be obeyed.

October 1, 1918.

C. L. 84]

In re SUSPENSION OF RATES OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR ITS EXCHANGE AT AURORA.

Case No. 1651.

Decided October 1, 1918.

Increase in Rates Authorized — 5.5 Per Cent. Fixed for Reserve for Depreciation — 7.4 Per Cent. Fixed as Rate of Return — $4\frac{1}{2}$ Per Cent. Payment Considered.

The company filed a schedule increasing rates at its Aurora exchange 50 cents per month, and providing for a new two-party residence line rate of \$1.75 per month.

Total revenues in 1917 were \$11,268.82. After deducting \$480.24 as the $4\frac{1}{2}$ per cent. payment to American Telephone and Telegraph Company, operating expenses were \$8,203.25, leaving a net revenue of \$3,065.57. After deducting uncollectible accounts and taxes, the total gross income was \$2,703.26. The company estimated reserve for depreciation at 8.631 per cent., or \$4,067.70, which, with a few smaller items, when deducted from the gross income, left a net loss for 1917 of \$1,619.90. The company estimated the value of the plant on the reproduction cost new basis at \$47,129, and the total investment, including items for cost of establishing business and working capital at \$57,987, and reproduction cost new less depreciation at \$53,293. The Commission, finding that the prices used were approximately 25 per cent. higher than pre-war prices, reduced the company's figures by that percentage, and fixed the reproduction cost new less depreciation at \$40,377, of which \$35,347 was depreciable property. Upon such basis, and estimating reserve for depreciation at 5.5 per cent., the Commission found that the net revenue for 1917 was \$1,503.72 instead of a loss of \$1,619.90.

Held: That as the present rates are unreasonably low, and the proposed rates are unreasonable, the company should be permitted to file a new schedule containing modified increases sufficient to produce not more than \$1,500 additional revenue per annum;

That the proposed rates would produce an increase in revenues of \$2,353, making the total net income \$3,856.72, which would amount to a return of approximately 9.5 per cent. on the total investment of \$40,377, which includes \$6,922 for cost of establishing business and \$1,629 for working capital. This rate of return is unreasonable and a rate of 7.4 per cent. should be used;

That as the payment to American Telephone and Telegraph Company under the $4\frac{1}{2}$ per cent. agreement was \$480.24 in 1917, and \$404.80 would be a fair and proper annual rental charge for the instruments used, considering 22 per cent. of their value as the proper annual allowance for reserve for depreciation, interest, administration and contingencies, and as the balance of the payment, for financial, engineering,

accounting, legal and patent services, was only \$75.44, it was unnecessary to give an extended consideration to the propriety of the charge;

That as the average allowance in 70 recent cases in various states for reserve for depreciation was 5.99 per cent., an allowance of 5.5 per cent. of the reproduction cost new value of the depreciable property was amply sufficient for reserve for depreciation, and the allowance of 8.631 per cent. of the reproduction cost new value, exclusive of items for cost of establishing business and working capital heretofore allowed by the company, was excessive. (*See Commission Leaflet No. 85 for supplemental order making certain corrections.*)

REPORT.

On June 25, 1918, the Southwestern Bell Telephone Company filed with the Commission its rate schedule known as Second Revised Sheet 1 to P. S. C. Mo. No. 4, effective date asked, July 1, 1918, canceling First Revised Sheet 1, to P. S. C. Mo. No. 4, containing the rates and charges for exchange and rural line service at Aurora, Missouri, the same being an increase in rates, as follows:

Business, individual line from \$2.50 to \$3.00 per month.

Residence, individual line from \$1.50 to \$2.00 per month.

Service line subscribers from 25 cents to 50 cents per month.

A new two-party residence line rate at \$1.75 per month was quoted in the schedule, and further slight changes appeared therein, not shown on the company's First Revised Sheet 1, P. S. C. Mo. No. 4.

The Commission, on said date, entered its order suspending the operation of the proposed rates, charges and regulations for a period of one hundred and twenty days to and including October 28, 1918, or until such time as the Commission should thereafter order, and entered upon a hearing concerning the lawfulness and reasonableness of the proposed rates, charges and regulations. The case, after due notice, came on for hearing before a special examiner for the Commission at Aurora, Missouri, July 18, 1918, the telephone company appearing by its attorney, *David Palmer*. The city of Aurora was represented by the city attorney, *Louis J. Miner*, and the Chamber of Commerce by *James A. Potter*.

The case was submitted upon the evidence.

THE FACTS.

The Aurora telephone exchange is one of the properties owned and operated by the Southwestern Bell Telephone Company, a Missouri corporation, which operates certain of the Bell System properties in Missouri, Arkansas and Kansas. The American Telephone and Telegraph Company exercises direct control over the Southwestern Bell Telephone Company through the ownership of the greater part of its stock.

Aurora has a population of approximately 4,200. Service is rendered to approximately 450 company-owned stations, including one private branch exchange, and business and residence extension sets. Switching service is rendered to approximately 160 service stations. The switchboard is a Western Electric No. 9-D type common battery, with a multiple capacity of 800.

As stated, the rate schedule proposed contains a rate of \$1.75 per month for two-party residence service. It appeared from the evidence introduced that the company has for a number of months, rendered two-party residence service in Aurora, but that during such period, no two-party residence rate was scheduled, the subscribers on two-party lines being charged the scheduled one-party residence rate of \$1.50 per month. Complaint was made against this practice by representatives of the city at the hearing.

Mr. Barry, the general commercial superintendent of the Southwestern company, testified that the company's practice at Aurora in charging the regular one-party residence rate of \$1.50, although two-party service was rendered, was made necessary as a temporary arrangement, because of an unusual stimulation of business at Aurora, due to the opening of the mines in that vicinity, and the consequent abnormal demands for telephone service; that this demand caused congestion in the telephone plant and it was impossible in all cases to give new subscribers individual line service; that the company in this emergency accepted new subscribers at the scheduled rate of \$1.50 per month, and paired such new subscribers with an existing subscriber,

first having obtained the permission of the existing subscriber to make the pairing. Mr. Barry further testified that such practice was not thought to be violative of the law or the Public Service Commission regulations, because the schedule of rates filed did not particularly designate whether residence service was to be on two-party line or individual line. There were 43 subscribers on two-party lines at the date of the hearing.

The company contends that under the present schedule of rates for telephone service at Aurora, the revenue is less than the actual cost of furnishing service; that the total revenue for the year 1917 was \$11,749; that the expense of operation, repairs and depreciation, was \$13,369, leaving a deficit of \$1,620; that the proposed rates will increase the revenue approximately \$2,400 annually.

REVENUES AND EXPENSES.

The telephone company offered in evidence Exhibit J, a statement of revenues and expenses for the twelve months ended December 31, 1917. The method of setting up the figures showing revenues and expenses in this statement, is commonly employed by telephone corporation accountants and has been followed by the Commission's accounting department. This statement shows the total telephone operating revenues for such term to be \$11,268.82, including exchange service revenues, toll service revenues and miscellaneous operating expenses, after a deduction of \$480.24, termed licensee revenues, paid to the American Telephone and Telegraph Company for the use of rights, privileges and property under the 4½ per cent. agreement.

The operating expenses of the company for such period were shown as \$8,203.25, leaving a net telephone operating revenue of \$3,065.57. From this amount, uncollectible operating revenues, \$85.52, and taxes, \$276.79, were deducted, making the company's gross income for the calendar year, \$2,703.26.

The deductions from gross income consist of rent for telephone offices,—\$241.66; estimated rental for 138

C. L. 84]

exchange circuit attachments on toll poles, at 10 cents per annum,—\$13.80, and annual allowance for depreciation reserve,—\$4,067.70. The company's statement, after deduction of the last mentioned items, shows that the Aurora exchange has not earned a net income for the calendar year 1917, but has operated at a loss of \$1,619.90.

However, before conceding the correctness of this statement, we find it necessary to scrutinize the two items—\$480.24 deducted from the total telephone revenues, and paid to the American Telephone and Telegraph Company under the 4½ per cent. agreement, and \$4,067.70 charged off as depreciation reserve.

LICENSEE REVENUES.

Under the system of accounting employed by the representatives of the telephone company, payments made to the American Telephone and Telegraph Company for rental of transmitters, receivers and induction coils, and for aid in financing, engineering, legal and accounting services and the use of patents under the agreement between the companies, popularly known as the 4½ per cent. agreement, are not placed under the head of operating expenses, but are deducted from the revenues of the company before setting up the item of telephone operating revenues. In other words, such payments are treated as collections for the American Telephone and Telegraph Company rather than for the Southwestern company. The purpose of the accountants in following this practice does not clearly appear. The payments to the American Telephone and Telegraph Company under the 4½ per cent. agreement, by the Southwestern company for the Aurora exchange for the calendar year 1917, were \$480.24. The testimony of Mr. Benzel for the company was to the effect that \$404.80 would be a fair and proper annual rental charge for the instruments used, considering 22 per cent. of their value as a proper annual allowance for depreciation, interest, administration and contingencies. Inasmuch as the entire annual payment only exceeded the instrument rental charge (estimated as above) by \$75.44, it is apparent that the pro-

priety of the charge as a payment for financial, engineering, accounting, legal and patent services rendered is unnecessary of extended consideration in this case.

In a recent opinion of the Commission in Cases Nos. 1141 and 1236, *In the Matter of the Suspension of Rates and Charges of the Missouri and Kansas Telephone Company, at Springfield, Missouri, etc.,** it was held that the evidence fully sustained the 4½ per cent. agreement payments as a proper operating charge in that case, but the Commission expressly disclaimed any intention of approving the charge in general as fair and proper, as it bore no immediate relation to the issue therein. The charge is comparatively small in the instant case, and determination of its propriety will not affect materially the issue herein,—the reasonableness of the applicant company's proposed rates.

DEPRECIATION RESERVE.

The amount set aside by the company for depreciation out of gross income for the year 1917 is \$4,067.70, or 8.631 per cent. of the claimed value of the total telephone plant and miscellaneous property, estimated on the reproduction cost new basis at \$47,129, and not inclusive of items for cost of establishing business and working capital.

We consider this depreciation rate excessive. A memorandum containing the decisions of public service commissions and courts on annual reserve percentages for telephone plants was submitted in evidence by the company as Exhibit C. It contains some 33 reports and decisions of public service commissions and courts, a number of which were decided several years ago. We have carefully considered practically all the express holdings of courts and commissions on allowance of annual depreciation percentages, and it appears that the company's memorandum is a selected list of cases where unusually high percentages were approved and that it does not represent the great weight of recent holdings upon the subject. A study of telephone rate cases as reported in the American Telephone and Telegraph Company Bulletin of Current Decisions,

* See Commission Leaflets No. 81, p. 944, and No. 82, p. 1391.

C. L. 84]

issued from October 18, 1917, to August 12, 1918, discloses that in the States of Missouri, Illinois, Indiana, Wisconsin, Kansas, Nebraska, West Virginia, South Dakota, Utah, Pennsylvania, Oregon, New Hampshire and in the Province of Ontario, 70 telephone cases have been decided by public service commissions in which specific percentage allowances were made for depreciation reserve. The following is a summary of the depreciation rates approved in these cases:

	<i>Number of Cases</i>	<i>Average Per Cent.</i>
Missouri	3	7
Illinois	23	6.05
Indiana	18	4.91
Wisconsin	11	6.85
Kansas	3	6.56
West Virginia	1	5
Ontario	1	5
South Dakota	6	6.83
Utah	1	6.5
Pennsylvania	1	7
Oregon	1	4.67
New Hampshire	1	7
		<hr/>
		70 Average allow- ance in all cases — 5.99 per cent.

We find that 5.5 per cent. of the reproduction cost new value of the depreciable property is amply sufficient for annual depreciation reserve and that the sum of \$4,067.70, which the company has set aside for that purpose, is excessive.

THE COMPANY'S APPRAISAL.

The company introduced in evidence an appraisal of the plant at Aurora, as of April 15, 1918, designated as Exhibit A. In the summary of this appraisal, the value of the total telephone plant and miscellaneous property, estimated on the reproduction cost new basis, is given as \$47,129. The total investment, including items for cost of establishing business and working capital, is stated to be \$57,987. The reproduction cost new less depreciation estimate of the

total investment is \$53,293. Witness Robinson for the company stated that the appraisal was

"made on the basis of what it would cost to reproduce the property today with certain qualifications."

The qualifications mentioned were stated to be slightly lower prices for labor than present prices. The prices for material used in the appraisal are approximately present prices. Mr. Robinson testified that in making the appraisal he used present or war prices rather than normal prices for a pre-war period, because the company had been buying material at war prices for three years, and he believed that it would have to pay prices as high as present for a considerable period, perhaps ten years. On cross-examination he admitted that the current prices used in making the appraisal were 15 per cent. to 25 per cent. higher than pre-war prices. *In Re Southwestern Bell Telephone Company**, (Case No. 1550) the Commission had before it an application for increased rates for the Lancaster exchange owned and operated by the Southwestern company. In that case, the company presented an appraisal which was made up by using current prices for material and labor. The Commission, finding that such prices were approximately 25 per cent. higher than pre-war prices, reduced the company's figures of reproduction cost less depreciation by that percentage. This ruling will be followed herein, since the Southwestern company's showing of value in this case is made practically upon the same basis as in the Lancaster case.

Accordingly, the company's reproduction cost less depreciation, should be reduced as follows:

	<i>Company's Figures</i>	<i>Reduced Figures</i>
Total telephone plant and miscellaneous property....	\$42,435	\$31,826
Cost of establishing business, estimate 20 per cent. reproduction new	9,229	6,922
Working capital	1,629	1,629
TOTALS	\$53,293	\$40,377

* See Commission Leaflet No. 82, p. 1379.

CONCLUSIONS.

The company's allowance for depreciation reserve, calculated at 8.631 per cent. of the total telephone plant and miscellaneous property, fixed in the company's appraisal on the reproduction cost new basis at \$47,129, is \$4,067.70. Reducing the reproduction cost new estimate by 25 per cent. as above, the cost new value of the depreciable property is \$35,347, and the annual depreciation allowance at 5.5 per cent. is \$1,944.08.

The reduction of the annual depreciation allowance as above changes the company's balance net income as shown by the actual revenue and expense figures for the year 1917 from a loss of \$1,619.90 to an actual income of \$1,503.72. The estimated additional revenue from the proposed rates is \$2,353, making the total net income, if such rates were permitted to become effective, \$3,856.72. This amounts to a return of approximately 9.5 per cent. on the total investment of \$40,377, which includes \$6,922 for cost of establishing business and \$1,629 for working capital. This return appears unreasonable and excessive. A memorandum filed by the company in this case, contains many commission and court decisions fixing 8 per cent. as a fair rate of return for telephone property. This Commission has, in past cases, fixed 7 and 7.5 per cent. as a fair and equitable return in telephone rate cases. However, in the recent *Springfield cases*, *supra*, upon consideration of the "universal obligation to make whatever sacrifices necessary to bring the world war to a successful conclusion," it was held that a 7.4 per cent. return was at this time unreasonable and exorbitant. We believe that the rates proposed, under present conditions, would result in an extensive curtailment of the use of telephone service in Aurora, a condition alike inimical to the general public good and the interest of the telephone company.

After fully considering the evidence in this case, and with due regard to the present unusual and abnormal conditions, we have arrived at the following conclusions:

1. That the rates and charges now effective for telephone service at Aurora are unreasonably low and unremunerative.

2. That the rates and charges proposed by the company are unreasonable, exorbitant and unfair, and that said proposed schedule of rates should be cancelled.

3. That said company should prepare, and be permitted to file, a new schedule, containing modified increases applicable equitably to the different classes of service; that said increases shall be such as to produce not more than \$1,500 additional revenue per annum, and yielding the company approximately 7.4 per cent. return on the investment of \$40,377; that such modified schedule shall be filed for the consideration of the Commission and shall not become effective until permitted by order.

The value of the telephone property was shown by the *ex parte* evidence of the telephone company. With the deductions and corrections noted, the Commission has tentatively assumed the value of \$40,377 as the public service investment for aid in the determination of the reasonableness of the proposed rates. No attempt has been made to fix conclusively the fair present value of the property, as provided for in Section 101 of the Public Service Commission Law.

An order carrying into effect the findings herein, will be entered.

ORDER.

The Commission having by its order of record in this case, on the eleventh day of July, 1918, upon its own initiative, suspended the operation of the proposed new schedule of rates for telephone service filed by the Southwestern Bell Telephone Company for its Aurora exchange, entitled Second Revised Sheet No. 1 to P. S. C. Mo. No. 4, and full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed its report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof;

Now, upon the evidence in the case, and after due deliberation,

It is ordered, 1. That the Commission, considering the rates and charges proposed by the company to be unreasonable, exorbitant and unfair, hereby orders that the said schedule of rates be canceled and withdrawn from the files of the Commission on or before October 15, 1918.

C. L. 84]

Ordered, 2. That said company prepare, and be permitted to file, a new schedule, containing modified increases applicable equitably to the different classes of service; that said increases shall be such as to produce not more than \$1,500 additional revenue per annum, and yielding the company approximately 7.4 per cent. return on the investment of \$40,377; that such modified schedule shall be filed for the consideration of the Commission on or before October 15, 1918, and shall not become effective until permitted by order.

Ordered, 3. That this order shall take effect on October 10, and that the secretary of the Commission forthwith serve on the Southwestern Bell Telephone Company a certified copy of this order and the report herein.

Ordered, 4. That the applicant, the Southwestern Bell Telephone Company, be, and it is hereby, required to notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, within five days after the receipt of the certified copy of this order and report herein, whether the terms of this order are accepted and will be obeyed.

October 1, 1918.

In re SUSPENSION OF RATES FOR RURAL SERVICE OF KING CITY TELEPHONE EXCHANGE COMPANY.

Case No. 1603.

Decided October 17, 1918.

**Increase in Rural Switching Rate Effective for One Year Authorized —
6 Per Cent. Fixed as Reserve for Depreciation — 7 Per Cent.
Fixed as Rate of Return — Service Ordered Improved.**

REPORT.

On May 10, 1918, the King City Telephone Exchange Company, operating a telephone exchange and system in King City, Missouri, and vicinity, filed with the Commission its schedule P. S. C. Mo. No. 5, effective June 1, 1918, cancelling its P. S. C. Mo. No. 4, whereby it proposed to

increase its switching rate for Class A rural service from \$2.00 to \$4.00 per annum.

Thereafter, on May 31, 1918, a large number of the company's rural patrons filed protests against the proposed increase of their rates and the Commission on said date and again on September 26, 1918, entered its order suspending said new schedule pending an investigation of the reasonableness and lawfulness of the same.

The evidence was heard by a member of the Commission at St. Joseph, Missouri, on August 9, 1918, and thereafter the case was argued by counsel before the Commission at Jefferson City, and now comes on for decision upon the record before us.

THE FACTS.

It appears from the Federal census of 1910 that King City has a population of 966, and from the evidence in the case, that the telephone system was constructed in the fall or winter of 1905. It is a grounded system and the company has in operation 252 residence telephones and 55 business telephones in King City, and switches 352 telephones on 46 rural lines running into its central station.

The company owns, maintains and operates the central station, all lines, poles, and equipment within the limits of King City, and the rural patrons own and maintain their telephone instruments, and their poles and wires outside of the limits of King City; and the company's present rates are \$12.00 per annum for residence telephones and \$18.00 per annum for business telephones within King City, and \$2.00 per annum for switching its rural patrons. Both the city and rural patrons have the privilege of free connection with all telephones within King City, and all rural lines running out of the city, and also to Buswin, Ford City, Union Star, Highland City, and several other outlying stations to which the company has leased telephone lines.

The company's rate for switching its rural patrons was at first \$1.00 per annum, then \$2.00 per annum, and then it seems that the company endeavored to raise the rate to \$6.00 per annum but was unable to secure the consent of its

C. L. 84]

rural patrons to such an increase, and as a result on March 1, 1918, filed its proposed schedule fixing the rate at \$4.00 per annum. Seventy-seven of the rural patrons have voluntarily paid the proposed rate of \$4.00 per annum since March 1, 1918, but it appears that the remaining 275 rural patrons are unwilling to pay a rate in excess of \$3.00 per annum, and pending an adjustment of the controversy have not paid the company anything for their service since March 1, 1918. It is claimed by the rural patrons that when they connected their lines with the company's lines about the year 1909 that the company represented to them that their rates would never exceed \$1.00 per annum and that the company was to be operated purely as a mutual company. It further appears, however, that for the last five or six years a contract has been made each year between the company and these patrons fixing the rate for a period of a year only and that the company has consistently refused to contract for more than a year.

VALUE OF PROPERTY.

As stated, the plant is a grounded system with 252 residence telephones and 55 business telephones with the usual wires, poles, and other equipment within King City. The switchboard is a 400 line Swedish-American switchboard, and the switchboard, poles, wires, and other equipment of the company are in fairly good condition; it appearing from the testimony of Mr. Oshell, an experienced telephone man, that by an expenditure of something like \$200 the switchboard can be put in condition to give fair service.

No detailed inventory or valuation of the company's property devoted to the public service has been made either by the company or by the Commission, and neither has there been any separation of property or operating expenses as between the city service and rural service. It appears, however, from the testimony, that the plant was constructed in the fall or winter of 1905 at a cost of \$2,500; and that from 1905 to 1916 all the earnings of the company, amounting to \$12,500, were spent for improvements

and extensions, thereby making the investment in the property aggregate the sum of \$15,000; and by adding the investment in the plant each year, and then deducting from 8 to 10 per cent. per annum for depreciation, the company estimates that the fair value of the property for rate-making purposes on January 1, 1918, was the sum of \$8,577.91.

REVENUES AND EXPENSES.

It appears from the evidence that the net earnings above expenses amounted for the year 1916 to \$277.92; for the year 1917 to \$683.49; and for the first six months of the year 1918 to \$187.33. Two hundred and seventy-five of the rural patrons, however, have not paid anything since March 1, 1918, and the amount owing by them at the present rate for four months, aggregating \$183.33, should be added to the \$187.33, thereby making the net earnings for the first six months of 1918 amount to \$370.66, or for the year 1918 to \$741.32. The following table will show the effect of the earnings at present rates as applied to a return of 7 per cent. and a depreciation of 6 per cent. on a valuation of \$8,600.

Net earnings, 1916.....	\$277 92
7 per cent. return on \$8,600.....	602 00
6 per cent. depreciation on \$8,600.....	516 00
Net earnings required to cover return and depreciation.....	1,118 00
Amount by which earnings failed to cover return and depreciation	840 00
Net earnings, 1917.....	683 49
7 per cent. return on \$8,600.....	602 00
6 per cent. depreciation on \$8,600.....	516 00
Net earnings required to cover return and depreciation.....	1,118 00
Amount by which earnings failed to cover return and depreciation	434 51
Net earnings, first six months, 1918.....	187 33
Add payments 275 patrons for 4 months at \$2.00 per year....	183 33
Adjusted net earnings, first six months, 1918.....	370 66
Estimated net earnings for year on above basis.....	741 32
7 per cent. return on \$8,600.....	602 00
6 per cent. depreciation on \$8,600.....	516 00
Net earnings required to cover return and depreciation.....	1,118 00
Amount by which earnings failed to cover return and depreciation	376 68

C. L. 84]

It thus appears that a deficit below a 7 per cent. return and 6 per cent. for depreciation on a valuation of \$8,600 amounted for the year 1916 to \$840; for the year 1917 to \$434.51; and for the year 1918 will amount to \$376.68; and that an increase of \$2.00 per annum on 352 rural telephones will amount to \$704 per annum.

SERVICE AND RATES.

While the company received a rather large return during the early years of its operation, it appears from its earnings for the years 1916, 1917, 1918, with other facts in the case, that its present rates are insufficient to yield reasonable compensation for the service rendered and are unjust and unreasonable. We also think that the proposed rate of \$4.00 per annum is a just and reasonable rate in view of the evidence in this case and by comparison with the rates of other companies in this State for similar service. In the case of *Texas Prairie Telephone Company v. Oak Grove Home Telephone Company*,* 4 Mo. P. S. C. (1 c.) 531, this Commission said:

"Exhibit No. 5 offered in evidence by the defendant shows the rates on file with this Commission and now in effect throughout the state for switching rural lines owning and maintaining their own lines and equipment up to the initial rate area. The exhibit is interesting and important, and discloses that 31 companies charge rates for such service ranging from \$1.00 to \$3.00 per year, per subscriber, and 98 companies a rate of \$6.00 per year, per subscriber; with a comparatively small number of companies charging other miscellaneous rates ranging from \$4.00 up to as high as \$12.00 per year, per subscriber; the exhibit thus disclosing that 102 companies in Missouri charge a rate of \$3.00 or less, per year, per subscriber, as against 98 companies which charge \$6.00 per year, per subscriber, for the same character of service under the same or substantially the same circumstances and conditions as is involved in this case."

The finding in the above case was made in 1916, and we know that the average rate for such service has increased since that time.

The company is now paying 6 operators wages aggregating \$135.32 per month, and says that it is necessary to

* See Commission Leaflet No. 60, p. 1438.

pay them \$221 per month, or a little less than \$37.00 per month each. It is also paying its lineman \$60.00 per month and desires to increase his wages to \$75.00 per month, which increases in wages, we think, are justified and must be met by an increase of the company's rates for its service.

It is the duty of the company, however, to render adequate service to its patrons, and we think that it should be required to improve the service as herein stated. It appears from the evidence that an electric light plant was put in at King City about six years ago, and that on account of the wires of the electric company and the telephone company being attached to the same poles, and running through the leaves and limbs of the same trees, and paralleling, at several points within King City, there is such induction and noise from the electric wires that service is very unsatisfactory over the telephone line from the time the electric lights go on shortly after sunset until twelve o'clock at night and during wet weather, and we think it is plainly the duty of the company to remedy this trouble, so far as it can be reasonably done.

As to just what should be done to remedy this trouble we are unable to say definitely from the evidence at this time. Some of the witnesses testified that it would not cost to exceed \$200 or \$300 each to the telephone and light companies to separate and place the wires on separate poles, etc., so as to sufficiently remedy this trouble; while another witness testified that the company should run its telephone wires in a cable beyond the terminus of the high voltage electric light lines one-half mile from the telephone office.

The company should forthwith do whatever is reasonably necessary to prevent this induction and improve its service to its patrons. The company must render adequate service if it asks fair rates.

CONCLUSION.

After carefully considering all the facts in evidence, we think that the company should be permitted to increase its maximum rates for Class A rural service from \$2.00 per annum to \$4.00 per annum for a temporary period of one year as provided in the order herein.

C. L. 84]

At the expiration of such period, any interested party may file a supplemental petition, or motion herein, asking a further hearing with reference to the service or rates of the company, when the Commission will make a final order in the case.

ORDER.

The King City Telephone Exchange Company filed a schedule for increased rate for Class A rural service from \$2.00 to \$4.00 per annum, effective June 1, 1918. The schedule so filed was suspended pending an investigation of the reasonableness of the rates therein; and full investigation having now been had, and the Commission having on this date filed a report containing its findings and conclusions herein, which report is made a part hereof,

It is, therefore, ordered, 1. That the order heretofore made suspending the said schedule be set aside and for naught held, and that the said schedule and rate contained therein become effective for a period of one year from and after November 1, 1918, or until the further order of the Commission.

Ordered, 2. That the Commission fully retain jurisdiction of the parties and subject matter of this cause to make any further orders herein as may be proper at the end of said period of one year, or at any other time, upon the evidence now before the Commission, together with such other evidence as the parties may offer.

Ordered, 3. That this order shall take effect on the first day of November, 1918, and that within ten days after the service upon it of a copy of this order, said applicant company shall notify the Commission as provided by Section 25 of the Public Service Commission Act whether the terms of this order are accepted and will be obeyed.

Ordered, 4. That the secretary of the Commission forthwith serve a copy of the report and order herein on the parties hereto.

October 17, 1918.

In re SUSPENSION OF RATES OF WEBB CITY EXCHANGE OF
HOME TELEPHONE COMPANY AT JOPLIN.

Case No. 1458.

Decided October 24, 1918.

**Increase in Rates Effective for One Year, War Conditions Considered,
Authorized — No Valuation Made — Rates in Other Cities Con-
sidered Useful Only for Purposes of Comparison — Switch-
board Lamp Signals in Cord Circuits Ordered In-
stalled — Installation of Common Battery
System Not Ordered.**

Applicant filed a schedule of increased rates to be effective at its Webb City exchange. The system serves widely scattered mining districts, and fluctuations in the mining business are directly reflected in the number of stations in operation at any given time.

The cost new less depreciation value, as of June, 1915, based upon pre-war prices was \$94,790. A valuation by the company made in June, 1917, gave a cost new value of \$158,900.51, and a cost new less depreciation value of \$128,662.13, both values including an allowance of \$3,000 for working capital. The annual net earnings available for reserve for depreciation and return, for the year ending February 28, 1918, on a basis of 1,635 telephones, were \$8,740.89, and under the proposed rates, including toll revenues, the Commission found they will be \$10,842, considering that the company had 1,555 telephones in operation on June 15, 1918, and that an increase in wages of \$3,150 per year would have to be granted.

Held: That the rates proposed were well balanced and reasonable, and would not return an unreasonable interest to the company and should be authorized, and as the increase in rates was justified because of the present emergency high costs confronting the company, the proposed rates should be authorized only during the continuance of that emergency. Therefore, the increase would be authorized for one year;

That the Commission would not fix a valuation in the absence of a formal appraisal by its engineers, because such valuation was not necessary to determine the reasonableness of the rates proposed. As the Commission assumed without so finding that 6 per cent. was adequate for an annual reserve for depreciation and that 7 per cent. was a sufficient return upon the investment, it found that \$10,842 would amount to 13 per cent. upon an investment of \$81,863, a figure well within the probable value of the company's exchange;

That rates in other cities should not be accepted as a basis for justifying rates for any particular exchange, but were useful for purposes of comparison;

That the company should install lamp signals in the operators' cord circuits at its switchboard in order to give satisfactory and adequate

C. L. 84]

service, as there was difficulty in attracting the attention of the operator when immediate reconnection was desired;

That the installation of a common battery system as asked for by subscribers in order to improve the service would not be ordered at this time, as the cost of such installation is prohibitive, and it is a serious question whether the Federal Government would permit the company to buy this equipment during the war.

REPORT.

On January 29, 1918, there was filed with the Public Service Commission by the Home Telephone Company of Joplin, its P. S. C. Mo. No. 11, replacing and cancelling its P. S. C. Mo. No. 4, and Supplement thereto, covering changes in rates for telephone service at Webb City, Missouri, as follows:

<i>Class of Service</i>	<i>Present</i>	<i>Proposed</i>
	<i>Rate</i>	<i>Rate</i>
Business, single line.....	\$2 00	\$3 00
Business, four-party selective line.....	1 75	2 50
Residence, single line.....	1 50	2 00
Residence, four-party selective line.....	1 25	1 50
P. B. X. trunk lines.....	2 50	3 00
I. C. S. trunk lines.....	2 50	3 00
Special toll trunk.....		2 00
Single booths		1 00
Provisions for special combination exchange and pay station and pay station service.		

On January 30, 1918, an order was issued by the Commission suspending the effective date of the proposed schedule for a period of one hundred and twenty days from March 1, 1918, to and including June 29, 1918, and on June 25, 1918, Supplemental Order No. 1 was issued further suspending such effective date for an additional period of one hundred and twenty days from June 29, 1918, to and including October 27, 1918.

The case was heard at Webb City, Missouri, on July 5, 1918, by one of the Commissioners. The city of Webb City and a number of individual objectors appeared at the hearing. Thereafter briefs were filed by counsel for the company and for the city of Webb City, and the case is thus before the Commission for decision.

THE FACTS.

The 1910 Federal census gives Webb City a population of 11,817, and that is not far from its present population. For several years the Bell telephone company and the Home Telephone Company both operated telephone exchanges in Webb City. About four years ago the Home company acquired the property owned by the Bell company and has since been operating it as one exchange. The switchboard of the company is a Monarch magneto multiple switchboard, with local batteries, and the lines are full metallic. On account of the telephone system serving a widely scattered mining district, many of the lines are of unusual length for an exchange of this size and many of the telephone stations are 2 miles or more from the central office. The fluctuations in the mining business are directly reflected in the stations in operation at any given time. Testimony as to the value of the plant was introduced by Mr. W. P. Sloan of the firm of Sloan, Huddle, Feustal, and Freeman, consulting engineers, of Boston, Massachusetts, who testified that he had made a detailed inventory of the entire plant in June, 1915, and at that time there were 1,288 telephone stations receiving service, and that he then placed the cost new less depreciation value of the property at \$94,790, or \$74.00 plus per station.

In the inventory as submitted pre-war prices were used entirely, and apparently the unit costs as used are not in excess of those used by the engineer of this Commission and other engineers in making appraisals of telephone property in other cities in the neighborhood of Webb City. No going value or other intangibles were used. The telephone company adopted \$94,790 as the actual value of the plant as of June 1, 1915, and since that date all extensions, new work and improvements have been carried forward on its books in the manner prescribed by the Interstate Commerce Commission and the Public Service Commission of Missouri.

In June, 1917, Engineer Sloan again visited Webb City, and checked up all the items of expense, and after making a

C. L. 84]

careful analysis found the value of the plant, cost new, to include all that part used and useful in furnishing the telephone service, including working capital of \$3,000 and the necessary capital expenditures to secure business, to be \$158,900.51, and the cost new less depreciation to be \$128,662.13. This includes the item of \$6,706 for real estate, being the property occupied as the central office. There is also an item of \$5,000 for cost new duplicate property. The disposition of this amount is not clear. He also found that in June, 1917, the company had in service 1,728 telephones. This allowed a value of \$74.00 plus per station. In June, 1918, the company had but 1,555 telephones, or a loss of 173, which will make an increase in the cost per station under the Sloan valuation.

Mr. Polk, a consulting engineer from Kansas City also testified to the effect that the prices used in making the inventory were fair, and that the amount allowed for depreciation is not excessive. No formal valuation was ordered by the Commission, and its telephone engineer has not checked the inventory and appraisal offered by the company. The telephone company submitted a statement showing the contractual value for the service of the exchange as follows:

<i>Present Rate.</i>				
<i>Classification</i>	<i>Number</i>	<i>Monthly Rate</i>	<i>Annual Rate</i>	<i>Annual Income</i>
Single line business.....	355	\$2 00	\$24 00	\$8,520 00
Party line business.....	15	2 50	30 00	450 00
Party line business.....	2	2 00	24 00	48 00
Party line business.....	5	1 75	21 00	105 00
Single line residence.....	845	1 50	18 00	15,210 00
Party line residence.....	76	1 50	18 00	1,368 00
Party line residence.....	209	1 25	18 00	3,135 00
Private branch stations.....	9	1 00	12 00	108 00
Extension business	50	1 00	12 00	600 00
Extension residence	48	75	9 00	432 00
Pay stations	4	.....	.....	.....
Free telephones	17	.....	.....	.....
	1,635	.....	.....	\$29,976 00

Proposed Rates.

<i>Classification</i>	<i>Number</i>	<i>Monthly Rate</i>	<i>Annual Rate</i>	<i>Annual Income</i>
Single line business.....	355	\$3 00	\$36 00	\$12,780 00
Party line business.....	15	2 50	30 00	450 00
Party line business.....	2	2 00	24 00	48 00
Party line business.....	5	2 50	30 00	150 00
Single line residence.....	845	2 00	24 00	20,280 00
Party line residence.....	76	1 50	18 00	1,368 00
Party line residence.....	209	2 00	24 00	5,016 00
Private branch stations.....	9	1 00	12 00	108 00
Extension business	50	1 00	12 00	600 00
Extension residence	48	75	9 00	432 00
Pay stations	4	.....	.....	.....
Free telephones	17	.....	.....	.....
	1,635	.....	.....	\$41,232 00

Both of the above statements are based upon 1,635 telephones, being the number receiving service at that time, and the increase per annum at the new or proposed rates is \$11,256.

The actual revenue for the year ending February 28, 1918, as appears from the evidence, was as follows:

Exchange service	\$32,240 32
Toll service	4,038 37
Other exchange service.....	159 08
	<hr/>
	\$36,437 77
Uncollectible	889 33
	<hr/>
TOTAL	*\$35,547 94

The expense for the year ending February 28, 1918, was as follows:

Maintenance expense	\$7,405 71
Traffic expense	10,794 53
Commercial expense	3,137 58
General expense	3,846 45
Taxes	850 00
Amortized bond discount.....	722 78
	<hr/>
TOTAL	*\$26,807 05

Balance for depreciation, interest and return on investment.	\$8,740 89
--	------------

*An error is apparent.

C. L. 84]

If the rates as asked for were to be allowed, the total revenue and expense estimated by the company for one year would be as follows:

<i>Revenue.</i>	
Exchange service	\$41,232 00
Toll service	4,000 00
Other exchange service.....	175 00
	<hr/>
	\$45,407 00
Uncollectible	300 00
	<hr/>
TOTAL	\$45,107 00
<i>Expense.</i>	
Maintenance expense	\$8,000 00
Traffic expense	12,500 00
Commercial expense	3,500 00
General expense	3,800 00
Minor rents	50 00
Taxes	850 00
Amortized bond discount.....	700 00
	<hr/>
	\$29,400 00
	<hr/>
Balance for depreciation, interest and return on investment. .	\$15,707 00

All of the computations above referred to were made on the basis of 1,635 telephone stations, while, as a matter of fact, the company only had 1,555 on June 15, 1918. The estimated contract value of 1,635 stations in the sum of \$41,232 brings an estimated annual charge per station of \$25.22. With 1,555 stations, the exchange service charge would be \$39,217. To this should be added toll service of \$4,000, and other exchange service of \$175, from which should be deducted uncollectible revenue of \$300, (estimated) from all of which we find an estimated annual revenue for this exchange of \$43,392 under the rates proposed, calculating upon 1,555 telephones in service, without estimating any discontinuance of service on account of increased rates. •

The estimated annual expenses of the exchange were given at the hearing as \$29,400. No serious criticism was

offered as to any item of expense, except that of general expense in the sum of \$3,800. This is the proportion of the entire general expense of the company charged to the Webb City exchange and the evidence justified the charge. On September 4, 1918, General Manager Crane filed an affidavit from which it appears that there are 32 employees of the Webb City exchange, and that it will be necessary at once to increase the pay roll approximately \$262.50 per month, or \$3,150 per year. This amount, added to \$29,400, brings the estimated annual expense up to the sum of \$32,550. Subtracting this from the estimated annual revenue, leaves the sum of \$10,842 as the estimated net annual earnings from operations applicable to depreciation and return upon investment.

Considerable testimony was introduced at the hearing with reference to the poor service furnished. The chief complaint made is the difficulty of attracting the attention of the operator to secure disconnection when the subscriber seeks to talk to another person immediately after having been connected with the original party. The engineer of the Commission found after making some tests that there was ground for the complaint. He made recommendations as to what should be done to remedy the trouble, one of which was to have lamp signals installed and used in the operator's cord circuits. It appears from letters filed with the Commission that the apparatus necessary for this improvement has been ordered and would be shipped from the factory on October 14, and the company expected the apparatus to be installed before November 1. With this signalling apparatus installed and in efficient operation and with proper supervision of the switchboard operators, the main source of complaint should be effectually removed. The engineers for the company, and George P. Player, telephone engineer for the Commission, testified that the only feasible plan to remove all possible just complaints against the service would be the installation of a common battery system. This was urged by some of the objectors. However, the cost of such installation at this time is prohibitive,

C. L. 84]

and it is a serious question whether the Federal Government would permit the company to buy the equipment during the war. The cost of such installation would doubtless require a further rate increase in order to give the company a return upon the additional investment.

CONCLUSION.

The Commission did not enter into a formal valuation of the property of the company used and useful in its exchange at Webb City, and the view we take of the case makes it unnecessary to fix any valuation from the *ex parte* evidence of the company. As nearly as we can determine from the evidence, taking into consideration the estimated annual revenues at the proposed rates, and the estimated annual expenses in the light of the present situation and present cost of labor and materials, the proposed rates will earn for the company net over operating expenses \$10,842 annually. Assuming, without so finding, that 6 per cent., per annum, is adequate for annual depreciation reserve, and that 7 per cent., per annum, is a sufficient return upon investment, we find that \$10,842 would amount to 13 per cent. upon an investment of \$81,863, a figure well within the probable value of the company's exchange at Webb City. The Commission will, therefore, not fix a value in this case in the absence of a formal appraisal by its engineers, because such valuation is not necessary in order to determine the reasonableness of rates proposed to be charged.

The rates proposed for Webb City appear to be well balanced and reasonable and will not produce an unreasonably high return to the company. Rates in other cities cannot be accepted as a basis for justifying rates for any particular exchange, but are useful for purposes of comparison. The records of this Commission disclose telephone rates in some of the cities of Missouri comparable with Webb City, or of less population, as follows:

	<i>Population</i>	<i>Business</i>	<i>Residence</i>
Clayton	1,000	\$3 00	\$2 00
Ferguson	1,658	3 00	2 00
Florissant	765	3 00	2 00
Hannibal	18,341	3 00	2 00
Kirkwood	4,171	3 00	2 00
Moberly	10,923	3 00	2 00
Poplar Bluff	6,916	3 00	1 50
Oronogo	1,912	3 00	2 50
Purcell	994	3 00	2 50
Louisiana	4,454	3 00	1 75

The Commission has concluded that the schedule under suspension should be permitted to go into effect. This will be done with the understanding that the equipment herein referred to is installed and that reasonable service is furnished to the subscribers of the company. In order to see that service is given, the Commission will retain jurisdiction of the case. The increase in rates being justified by the present emergency of high costs confronting the company, the proposed rates should be permitted to be charged only during the continuance of that emergency.

An order in conformity hereto will be entered.

ORDER.

This case being at issue upon the order of the Commission suspending the effective date of P. S. C. Mo. No. 11, of the Home Telephone Company of Joplin, replacing and cancelling its P. S. C. Mo. No. 4 and Supplement thereto, the same being schedule of proposed rates and charges to be charged by said company for telephone service at its exchange at Webb City, Missouri, and full hearing of the matters at issue having been had at the city of Webb City after notice to all interested parties, and an investigation of the reasonableness and lawfulness of said proposed rates having been made by the Commission, and the Commission having fully considered all the evidence and the briefs and arguments of counsel, and being fully advised in the premises, and the Commission on the date hereof having made and filed its report of its finding and conclusions herein,

L. 84]

which said report is hereby referred to and made a part hereof,

Now, after due deliberation,

It is ordered, 1. That the Commission finds that the rates and charges of the Home Telephone Company of Joplin, proposed to be charged by it for telephone service at Webb City, Missouri, are reasonable and just, and that the order of the Commission heretofore suspending the effective date of said company's schedule, known as its P. S. C. Mo. No. 11, replacing and cancelling P. S. C. Mo. No. 4 and Supplement thereto, be, and the same is hereby, vacated, and that the company be, and it is, authorized to charge and collect the rates therein specified as maximum rates for telephone service at Webb City, Missouri, on and after the effective date of this order.

Ordered, 2. That the Commission finds that the installation of lamp signals in the operator's cord circuits at its switchboard are necessary to make satisfactory and adequate the service rendered by said company at Webb City, and that such installation should be completed on or before December 1, 1918, and that said company shall report to the Commission the fact of such installation as soon as completed and in effective service.

Ordered, 3. That any and all increases in rates herein authorized shall remain in force and effect for a period of one year only from and after the effective date of this order, at the end of which period such increase in rates shall cease, and the rates and charges of said Home Telephone Company of Joplin for telephone service at Webb City shall be reduced and restored to the rates and charges now on file and at the present time charged by it; *provided*, however, that the Commission may hereafter, by further order, continue such increase in rates and charges for another and further period, or change said rates and charges upon proper showing of the then existing necessity therefor by the company or by any interested party. For this purpose, and in order to determine whether the requirements for improved service herein set out are met and sat-

isfied, the Commission fully reserves jurisdiction of this case to make such further orders from time to time as the necessities of the case require.

Ordered, 4. That said Home Telephone Company of Joplin be required to keep a full and accurate account of the revenues and expenses of its exchange at Webb City, and to file a full and complete report thereof with this Commission at the expiration of said period of one year, which report shall be in addition to any other reports now required by law.

Ordered, 5. That this order shall be in full force and effect on and after November 1, 1918.

Ordered, 6. That the secretary of the Commission shall forthwith serve upon Hugh Dabbs, Joplin, Missouri, the Home Telephone Company of Joplin, Morrison Pritchett, city attorney of Webb City, Frank L. Farlow, attorney for certain objectors, and upon Hon. A. S. Burleson, Postmaster General, a certified copy of this report and order, and that said Home Telephone Company of Joplin on or before the effective date hereof shall notify the Commission in the manner provided by Section 25 of the Public Service Commission Law whether the terms of this order are accepted and will be obeyed.

October 24, 1918.

NEBRASKA.

State Railway Commission.

In re APPLICATION OF STEELE CITY TELEPHONE COMPANY TO
INCREASE RATES.

Application No. 3677.

Decided September 17, 1918.

Increase in Rates Authorized — Same Rate for Business as for Residence and Rural Service Disapproved.

FINDINGS.

The Steele City Telephone Company operating exchanges at Steele City and Endicott, Nebraska, has made application for authority to increase telephone rates for all classes of service from \$1.00 per month to \$1.50 per month, and has supported its application by a rather careful history of the company and with data concerning its receipts and expenditures for the years 1915, 1916, 1917, and six months of 1918.

The company was incorporated in January, 1903, beginning with a paid-up capital of \$1,000. This capitalization was rapidly increased, until within two or three years the total amount of outstanding stock was \$12,775, which amount is still outstanding. The company represents that all this stock was paid for in cash at par.

It is testified by secretary R. S. Wilfley, that at no time during the history of the company has there been offered to stockholders any special inducements over the service and rates offered to renters.

The company paid no dividends until January, 1910, when it paid an 8 per cent. dividend on the 1909 business. It continued to pay dividends of 8 per cent. from that date until the last half of 1917. Two semi-annual dividends have been passed.

In the year 1915, the company accumulated a surplus of about \$200, and in 1916, more than \$1,100. In 1917, there was a deficit of \$750. The Commission has not checked these figures to ascertain whether there were unusual expenditures on maintenance due to lack of such expenditures previously, nor has it checked to ascertain whether in the three years a considerable sum was spent for new construction out of earnings.

Applicant explains that during the first six months of 1918, receipts exceeded expenditures by \$124. This included no construction, no depreciation was set aside, and no dividends were paid. The company has been compelled to increase the pay of operators at each exchange \$19.00 per month and the lineman's wages \$25.00 per month. The company has on hand a depreciation reserve of more than \$2,000, which it is carefully guarding for the purposes for which set aside.

The Commission is convinced from the data submitted that this company must have more revenue. It does not believe that it is necessary to hold a hearing to develop the facts further. The company has 200 farm 'phones, 23 business 'phones and 27 residence 'phones.

The Commission does not consider it equitable that the business rate should be the same as the residence and farm rate. It is convinced that an increase of 50 cents a month on business 'phones should be authorized, and 25 cents per month on residence and farm 'phones. After a trial of these rates for the proper period of time, the company is entitled to make further showing to the Commission as to the results thereof.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Steele City Telephone Company be, and it hereby is, authorized to publish the following rates for telephone service on its exchanges at Steele City and Endicott, Nebraska, these rates applying to the grounded system now in service:

C. L. 84]

	<i>Per Month</i>
Business	\$1 50
Residence	1 25
Farm	1 25

Residence and business service shall be paid for on or before the tenth of the month in which service is given. Farm service shall be paid for quarterly during the first month of the quarter in which service is rendered.

This order shall be effective from and after October 1, 1918.

Made and entered at Lincoln, Nebraska, this seventeenth day of September, 1918.

In re APPLICATION OF LINCOLN TELEPHONE AND TELEGRAPH
COMPANY FOR AUTHORITY TO INCREASE RATES AT SARON-
VILLE.

Application No. 3552.

Decided September 21, 1918.

**Increase in Business and Residence Rates Authorized — 9 Per Cent.
Fixed For Reserve For Depreciation and Maintenance.**

FINDINGS.

Applicant herein has asked authority to publish rates for business and residence subscribers for metallic service, as follows:

	<i>Per Month</i>
One-party business	\$2 50
One-party residence	1 50
Two-party residence	1 25

It is not proposed to alter the farm line rate, which is \$1.25 per month. Subscribers on the Saronville exchange are entitled to free exchange to Harvard, Verona, and Eldorado, Nebraska. The rates now in effect are:

	<i>Per Month</i>
Business	\$1 50
Residence	1 00
Farm	1 25

These rates have been in effect since the Saronville exchange was grounded, and the added exchange service to Harvard has been over grounded lines. Much improvement in the property has been made in the last two or three years.

The company has filed a showing as to its earnings and expenses from this exchange for the years 1915, 1916, and 1917. Average earnings, including one-fourth of the gross receipts from outbound tolls, were \$2,624.81 per annum. Average expenses for the same three years were \$3,074.02. These expenses include a depreciation of 7 per cent. on a value of \$50.00 per station, and dividends of 7 per cent. on a present value of \$45.00 per station.

The Commission has not in the past authorized a depreciation of 7 per cent., nor is it in a position to say that a depreciation is properly applied to a value of \$50.00 per station, nor that the company is entitled to earn on a valuation of \$45.00 per station. No earnings have been made by the company in justification of these two valuation figures. But even taking into consideration possible readjustment of the depreciation and the earnings items, it is evident to the Commission that the company is entitled to more revenue from its Saronville exchange, and in reaching that conclusion it is mindful of the fact that service over the same territory is available to these subscribers as to the subscribers of Harvard, where a rate was established, after hearing, much higher than has heretofore prevailed at Saronville. The increase proposed herein will give the company approximately \$300 additional revenue.

The Commission will authorize the rates asked for. But because it is not prepared to pass on the question of original cost and on present value of the plant, it will surround the order herein with conditions for the ample protection of the rate-paying public at Saronville.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Lincoln Telephone and Telegraph Company be, and it hereby is, authorized to publish the

C. L. 84]

following rates, effective November 1, 1918, on its exchange at Saronville, Nebraska:

	<i>Per Month</i>
One-party business	\$2 50
One-party residence	1 50
Two-party residence	1 25

Service to be furnished over the same zone as heretofore.

It is further ordered, That the revenues derived from the rates hereby authorized, including 25 per cent. of all revenues derived from the toll business originated at said exchange, and all other revenues of said exchange shall be used and expended only as follows, to-wit:

1. In defraying the costs of operating said exchange property, including taxes, insurance, losses, damages, and general expenses.

2. In defraying the cost of maintaining said exchange property in an efficient operating condition and of creating a reserve for unrealized depreciation, the combined amount of which shall be not less than 9 per cent. per annum of the cost to applicant of the depreciable portion of said property.

3. In paying such a proportion of the interest on applicant's bonded and floating indebtedness as the cost to applicant of said exchange property bears to the total cost to applicant of all of its properties devoted to public use, and at the rate or rates prescribed in the evidences of such indebtedness.

4. In paying dividends upon applicant's preferred stock at the rates prescribed in the evidences thereof, and upon applicant's common stock at 7 per cent. per annum, according to the relation between said exchange property and the entire properties described in Paragraph 3 hereof.

5. The remainder of said local exchange revenues, if any, shall be credited to a surplus account for the purpose of paying any deficit that may arise in the liquidation of any of the obligations above-mentioned.

Made and entered at Lincoln, Nebraska, this twenty-first day of September, 1918.

In re APPLICATION OF THE FARMERS AND MERCHANTS TELEPHONE COMPANY FOR AUTHORITY TO PUBLISH GROSS AND NET RATES.

Application No. 3691.

Decided September 21, 1918.

Prompt Payment Discount Authorized — Authority to Publish and Collect Installation Charges Ordered by Postmaster General, Denied.

FINDINGS.

Application has been made by the Farmers and Merchants Telephone Company of Alma, Nebraska, for authority to publish gross and net charges for telephone service on all its exchanges within the State of Nebraska, said gross rate to be 25 cents in advance of the rates now charged for different classes of service. Applicant proposes to charge the gross rate and to figure off a discount of 25 cents per month for each class of service rendered, where bills are paid on or before the tenth of the month in which service is given. Applicant also asks authority to publish and collect the installation charges ordered by Postmaster General Burleson, to be effective from and after September 1, 1918.

Petitioner sets forth in its pleadings that the cost of collecting is becoming extremely burdensome and at the same time the cost of operation has very greatly increased. It has long been the approved practice of the Commission to allow these companies desiring to do so to publish gross and net rates for telephone service. The Commission considers this so equitable that it has not been its practice to set such applications down for hearing.

Applicant makes no mention of switching charges other than to name the rate. The Commission is of the opinion that these switching charges should be paid by the company switched, three months at a time, and during the first month of the quarter in which service is rendered.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Farmers and Merchants Telephone

C. L. 84]

Company of Alma, Nebraska, be, and the same is hereby, authorized to publish a gross rate of 25 cents in advance of the rates now charged for different classes of telephone service, and to discount bills 25 cents per month for each class of service where payment is made on or before the tenth day of the month in which service is given.

It is further ordered, That the gross rate for switching independently owned lines shall be 35 cents per month, to be paid quarterly, with a discount of 10 cents per month if bills are paid during the first month of the quarter in which service is rendered.

It is further ordered, That that portion of the application relating to the installation charges be denied, with leave to applicant to reinstate the same on showing that it represents the Postmaster General in making the application.

Made and entered at Lincoln, Nebraska, this twenty-first day of September, 1918.

In re APPLICATION OF LINCOLN TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3701.

Decided October 1, 1918.

Increase in Exchange and Toll Rates for Period of Six Months, War Conditions Considered, Authorized — Practice of Charging Consolidation Costs to Reserve for Depreciation Account Disapproved — 9 Per Cent. Fixed for Maintenance and Reserve for Depreciation — 7 Per Cent. as Rate of Return Considered Reasonable — Basis of Charges to Reserve for Depreciation Account Considered — Establishment of Zone Rates in Certain Exchanges to Replace Flat Rates Authorized — Change in Hour at Which Reduced Toll Rates Go Into Effect Approved.

Applicant owns and operates 106 local exchanges located in the southeastern part of the State. Rates at many of the exchanges were established by the Commission in the past upon separate applications. No

[Neb.]

hearing has ever been held as to toll rates, and they have remained substantially as they were in 1907, when the Commission was created. Applicant, because of a 20 per cent. increase in wages, amounting to \$150,000, and an increase in operating expenses of \$100,000, due to the present cost of materials, and a further increase of \$40,000 in taxes, sought authority for an increase in rates to cover these additional expenses by an advance of certain local service rates at 66 of its exchanges to the standard of such rates prevailing elsewhere on the system, and an increase of approximately 25 per cent. in toll rates. Applicant also requested the postponement of the hour at which night toll rates are effective from 6 P. M. to 9 P. M.

Applicant's rate of return to its bond and stockholders in the past averaged 5.6 per cent. per annum, which return the applicant does not ask to be increased. The book value of the plant as of July 1, 1918, was \$8,438,750.20. Operating expenses for 1918 were estimated to be \$1,797,478.33, and the proposed increase in rates will give revenues of \$1,878,118.

Held: That the increase in rates should be authorized, as the fact that the rates effective were generally below those found by the Commission to be reasonable for similar service elsewhere on the system, raised the presumption in an emergency proceeding that the rates should be raised to normal, pending a full inquiry as to the business of the exchanges. However, since the application and the evidence were predicated upon the entire business of the company, and not upon the business of the particular exchanges at which the increased rates were to apply, such increased rates would be authorized for a period of six months, applicant within that time to establish the reasonableness of the rates at each exchange;

That the practice of charging consolidation costs to the reserve for depreciation was illegal, and was disapproved. The purpose of a depreciation reserve is solely to replace worn out property in kind. Consolidation costs should come out of capital, the same as plant costs, as the presumption is that they were taken into account in fixing the purchase price of properties acquired under those circumstances. However, consolidation costs should not be charged to capital in cases where it will result in a greater charge to capital than the value of the plant, and in such cases, application should be made to the Commission for a valuation of the property after consolidation for a determination of the amount properly chargeable to capital, and should a deficit arise in a proceeding of that character it would appear that it should be charged to common stock dividend account as an injudicious investment;

That 9 per cent. of the book value of the plant should be allowed for maintenance and reserve for depreciation, as the Commission has always treated repairs and replacements together, because of the practicability of such treatment by utility companies themselves, the difficulties inherent

C. L. 84]

in separate treatment, and the insuperable obstacles in the way of distinguishing between maintenance and depreciation by regulatory bodies;

That the rate of return of 7 per cent. upon common stock, and 5 per cent. upon bonds and preferred stock maintained by the applicant in the past would be considered reasonable, as the Commission took cognizance of the fact that the compensation contracts, now being entered into between the Federal Government and telephone companies, provide that the payment of interest and dividend charges shall be as in the past. However, the Commission was not advised as to the judiciousness of the investment of the proceeds and, because of the emergency, no inquiry was made along this line;

That applicant's practice of debiting or crediting the plant account with the difference between the cost of a particular item of equipment replaced and the company's expenditure in making the replacement, was disapproved as a basis for charges for replacements to the reserve for depreciation, as the result was a fluctuating plant account compared with the extent of property and service, and a corresponding fluctuation in the amount of return due applicant on the value of property basis. It also introduced a highly disturbing factor in physical valuation proceedings, as it was impossible for the engineer to inventory replacements separately from the original property yet in place, or according to time of installment. The basis was also not in accordance with the purpose of a reserve for depreciation which is to replace worn out or obsolete property in kind, regardless of the cost;

That the basis of all charges to the reserve for depreciation should be the full cost of replacements made in kind, less salvage values of the property displaced. Where replacements are not made in kind, the basis of charges should be the reproduction new value of the property displaced as of the time of the purchase of the property installed, and the difference between that cost and the cost of the property installed should be debited or credited to plant account, according as the cost of the property installed is above or below the estimated reproduction new value of the property displaced;

That applicant should be authorized to discontinue its rates for purely local service at the Havelock, University Place and College View exchanges, and to substitute therefor the Lincoln zone rates, as the change was in harmony with the principle of regulation which dispenses with classes of service that are not in considerable demand, and it was impossible to effectually police two classes of service on a single wire, so that only those who pay for zone service should receive it;

That reduced night toll rates should be authorized to go into effect at 9 P. M., as the previous hour of 6 P. M. required more toll operators than any other similar period during the day, and this abnormal traffic was especially burdensome to the operators as it compelled them to work night hours and to go to their homes in the dark during much of the year. It

also prevented their going to evening entertainments and meetings, and is one of the objections to entering the employment, and 9 P. M. is the uniform hour for night rates going into effect throughout the country, and is the rule in all the states adjacent to Nebraska, excepting Kansas.

FINDINGS.

Applicant owns and operates a telephone system consisting of 106 local exchanges located in the southeastern quarter of Nebraska, and toll lines connecting the exchanges with each other and with toll lines owned by other companies touching the boundaries of the territories. Service rates have been established at many of the exchanges by the Commission in the past upon separate application and hearing. No hearing has ever been held as to toll rates and they have remained substantially as they were in 1907 when the Commission was created.

Applicant alleges that it is confronted everywhere on its system with an extraordinary increase in the cost of labor and material used in the service. Many employees are quitting and taking other employment at materially higher wages than applicant is able to pay, and materials needed for repairs and replacement have increased in price from 30 to 100 per cent. A 20 per cent. increase of wages is deemed imperative at this time, amounting in the aggregate to \$150,000 per annum, and a greater increase may be necessary in the near future. The present cost of materials is not stated, but it may safely be said on the record to amount to \$100,000 per annum. An increase of \$40,000 in taxes is also anticipated.

Applicant also alleges that it has no surplus accumulated in past years out of which to meet this increased cost, and that its past return to the bond and stockholders has been unreasonably low,—5.6 per cent. per annum. It does not ask for a greater return, and says on the other hand that it will be content with that heretofore received, notwithstanding the fall in purchasing power of the dollar. It does ask for reimbursement of the extra costs above set forth, which, if the allegations be true, is no more than its due.

C. L. 84]

The means of securing the necessary additional revenue proposed by applicant is, (1) an advance of certain local service rates at 66 of the company's exchanges to the standard of such rates prevailing elsewhere on the system, and (2) an advance of toll rates amounting to 25 per cent., approximately. Postponement of the hour at which night toll rates are effective from 6:00 P. M. to 9:00 P. M. is also requested.

The matter was set for hearing at an early date,—three days only after the filing of the application,—because of the imminent danger to the service shown by the application. The hearing was *ex parte*. In fact, no one appeared or had time to prepare and appear in opposition to the application. The Commission, however, called for and secured a complete financial showing of applicant's business during the greater part of its history, and examined applicant's witnesses at length as to the grounds of the application.

The record shows that a substantial advance in the wages paid by applicant is required and that it should be made immediately. The employees outside of the executive force number 1,206 at the present time. From 100 to 200 additional employees are necessary to the efficient operation of the system. The male employees number 483 and receive an average wage of \$78.84 a month. Female employees number 733 and are paid an average wage of \$35.05 a month. All of them are more or less skilled and the necessity for keeping them in the service if possible is manifest. It was shown that common labor is better rewarded. It is being paid from 40 to 50 cents an hour for male labor and \$50.00 to \$85.00 a month for female labor. One hundred and eighty of applicant's male employees have entered military service since the beginning of the war and scores of employees have taken other employment at much higher wages.

The Commission is of the opinion that a 20 per cent. increase of the existing wages is necessary. If the war continues much longer a greater advance will doubtless

have to be made. Applicant is now paying wages to these employees in the amount of \$776,450* a year. Twenty per cent. of this amount is \$153,491.20*, and represents the additional future cost per annum on this account.

The normal requirement as to materials for repairs and replacements before the war is shown of record only by deduction, and that indefinitely, but they did not in reason amount to less than \$200,000 a year. The record shows an average increase in the cost of such material of about 50 per cent. One hundred thousand dollars therefore represents the advance in costs per annum of the material necessary to keep the system in good repair.

Applicant also anticipates an increase of \$40,000 per annum in its taxes under the Federal revenue bill, now pending in the Congress. The Federal Government has recently taken possession of applicant's system and all other telephone systems in the country, and is entering into contracts as to the compensation to be paid the owners of such companies for the use of their properties. The contracts so far entered into provide that all taxes shall be charged against the revenue. Common knowledge of the requirements of the Federal revenue bill referred to is corroborative of applicant's anticipation as to an increase, and this additional burden, though in the nature of a contingency, is entitled to consideration.

We have therefore a definitely ascertained increase in the annual costs of applicant's business of \$250,000, at least, with the probable addition of \$40,000. Applicant is entitled to reimbursement of these costs, unless it has a surplus sufficient to cover them in reason.

According to applicant's books of account, its assets and liabilities on July 1, 1918, were as follows, to-wit:

*An error is apparent.

APPLICATION OF LINCOLN TEL. AND TEL. Co. 217

C. L. 84]

Assets.

Intangible capital		\$7,997 31
Right-of-way		4,343 01
Land and buildings.....		301,457 43
Central office equipment.....		767,006 66
Station equipment		997,194 53
Exchange lines		3,287,563 87
Toll lines		1,695,045 50
Other plant		37,281 46
General equipment		103,249 18
TOTAL FIXED CAPITAL.....		\$7,201,138 95
Construction work in progress.....	\$19,343 00	
Investment securities	113,955 00	
Miscellaneous investments	5,643 75	
TOTAL PERMANENT AND LONG TERM INVESTMENTS.....		*139,141 75
		\$7,340,280 70
Cash and deposits.....	\$223,209 07	
Marketable securities	48 00	
Bills receivable	246,130 84	
Accounts receivable	99,963 16	
Material and supplies.....	256,509 86	
TOTAL WORKING ASSETS.....		\$825,860 93
Sinking fund assets.....	\$56,900 00	
Prepayments	9,786 38	
Unamortized debt discount and expense	197,559 50	
Other deferred debits....	1,294 90	
TOTAL DEFERRED DEBIT ITEMS.....		265,540 78
Accrued income not due.....	7,077 79	
		*1,098,469 50
TOTAL ASSETS		\$8,438,750 20

*An error is apparent.

Liabilities.

Capital stock, common (authorized, \$2,500,000).....	\$2,005,795 00
Capital stock, preferred (authorized \$7,600,000).....	3,957,456 00
<hr/>	
TOTAL CAPITAL STOCK.....	*\$7,163,251 00
Accounts payable	\$52,000 55
Accrued liabilities not due.....	145,139 79
Insurance and casualty reserves.....	13,853 68
Liability for employees' benefit fund.....	50,937 69
Other deferred credit items.....	6,414 71
Reserve for accrued depreciation.....	553,116 30
Corporate surplus unappropriated.....	454,036 48
<hr/>	
TOTAL LIABILITIES	\$8,438,750 20

The liability items, entitled Reserve for Accrued Depreciation and Corporate Surplus Unappropriated, aggregating \$1,007,152.78, would appear to be a surplus derived from the rates, but such is not the case as to a single dollar. Reserve for Accrued Depreciation account has been credited from the beginning of the business with \$1,482,693.41 taken from the revenues, whereas it has been debited with \$1,731,152.97 expended for replacements of worn-out equipment and for consolidation of purchased plants with original properties. The credit balance now in this account came about entirely from debits to Corporate Surplus Unappropriated account in the sum of \$674,020.55, surplus credit balances of properties purchased in the sum of \$105,469.46, and credits from minor sources aggregating \$22,085.85, with corresponding credits to the depreciation reserve account; and there never was at any time any corporate surplus measured by cash investments or actual values of applicant's properties, with the possible exception of \$115,425.40 shown as a credit balance of the account on February 1, 1912.

The history of the Corporate Surplus Unappropriated account is substantially as follows: In 1912 applicant purchased all of the exchanges and toll property of the Nebraska Telephone Company located in the territory now

*An error is apparent.

C. L. 84]

covered by its system. After taking possession of the property, applicant made an inventory and [calculated the] reproduction new value of all of its property, and arrived at a figure in excess of the cost to it of the property of \$1,137,948.87, which it credited to Corporate Surplus Unappropriated account, resulting in a credit balance of \$1,256,374.27 in the account. Subsequent credits are as follows: \$60,585.09 from revenues; \$32,125.09 from revenues of purchased properties; and \$30,269.85 from miscellaneous sources. Debits to the account are as follows: To Reserve for Accrued Depreciation account, \$674,020.55; to dividends to stockholders, \$153,982.36; to taxes, \$11,952.07; to employees' benefits, \$10,000; to bonds and stock redeemed, \$30,936.85; to losses incurred in the sale of property measured by its book value, \$21,986.65; to miscellaneous items, \$32,439.04. The balance now in the fund is \$454,036.48. It is, therefore, apparent that the balance in the account and the balance in Reserve for Accrued Depreciation account of \$553,116.30, also, came altogether from the artificial surplus created by the valuation.

There is therefore no actual surplus to be drawn upon to meet the increased costs of operation which now concern applicant. Current revenues must be looked to for all requirements. The costs of operation, current repairs and taxes are definitely shown from February 1, 1912, to July 31, 1918, by the record. The costs of replacements, however, are mixed with the cost of consolidating purchased properties with original properties, formerly competing. They were all charged to Reserve for Accrued Depreciation and no separation is shown of record. The purpose of a depreciation reserve is solely to replace worn-out property in kind. The use of such reserves for consolidating properties is therefore illegal. Consolidation costs should come out of capital the same as plant costs, as the presumption is that they were taken into account in fixing the purchase prices of properties acquired under those circumstances. The practice of the applicant in this respect is therefore condemned, and the order herein will provide against its continuance.

The Commission has always treated maintenance and depreciation (repairs and replacements) together because of the practicability of such treatment by utility companies themselves, the difficulties inherent in separate treatment, and the insuperable obstacles in the way of distinguishing between maintenance and depreciation by regulatory bodies. The Commission has made a number of studies of the cost of maintenance and depreciation of telephone properties, which show an average annual expense for the period of time covering the life of such properties of 8 per cent. The percentage during the early years of the property is from 3 to 5 per cent. and in the later years from 9 to 11 per cent., with an average of 8 per cent. as indicated.

Applicant's expenditures for consolidating purchased properties with those formerly owned by it were made largely in the years 1913, 1914 and 1915, and is reflected in the following relation between its expenditures for repairs, replacements and consolidation and its plant values from the beginning in 1912 down to date, to-wit: 1912, 4.25 per cent.; 1913, 8.63 per cent.; 1914, 8.82 per cent.; 1915, 7.97 per cent.; 1916, 7.23 per cent.; 1917, 7.42 per cent.; 1918, 7.8 per cent. Only the percentages of the last three years may safely be taken as a measure of applicant's needs for maintenance and depreciation, and they are vitiated somewhat by the inclusion of consolidation costs. Seven per cent. per annum for the years 1916 and 1917 is doubtless a fair measure of these needs, considering the age of the property.

Practically no expenditures for consolidation have been made so far in 1918, and the 7.8 per cent. shown for that period reflects to a degree the increasing costs with which we are confronted. The record shows that applicant has already increased wages this year in the sum of \$50,000. The further increase of wages now found necessary calls for an increase in the amount allowed for maintenance and depreciation. One per cent. upon the book value of the plant amounts to \$72,000, and the wages paid may be said

C. L. 84]

to be divided equally between those required in operation and those required in making repairs and replacements. The Commission finds, therefore, that 9 per cent. of the book value of the plant should be allowed for maintenance and depreciation.

The Commission noted during the hearing that the applicant was using a basis for charges to the depreciation reserve fund on account of replacements which gave results at variance with the purpose of the fund, as the Commission views that purpose. The basis used is the cost to applicant (or to its predecessor in the case of purchased plants) of the particular item of equipment replaced, the cost being estimated for the most part because of incomplete records as to original costs. The difference between this cost and the company's expenditure in making the replacement is debited or credited to plant account, according as it is above or below the cost of the property displaced.

The result is a fluctuating plant account compared with the extent of property and service, and a corresponding fluctuation in the amount of return due applicant on the value of property basis. It also introduces a highly disturbing factor in physical valuation proceedings, as it is impossible for the engineer to inventory replacements separately from the original property yet in place, or according to time of installment. The basis is also not in accordance with the purpose of a depreciation reserve fund which is to replace worn-out or obsolete property in kind regardless of the cost. Credits are made to this fund from revenues with the idea of fully maintaining the plant in good operating condition. Permanence of service can be secured in no other way, as private capital with which to make repairs cannot be secured where the capital account is already full. At least capital cannot be secured for that purpose where the facts are known. The law also recognizes the obligation of maintaining the property ahead of owner's return, as a public utility is not permitted to pay dividends without making ample provision for this purpose.

Applicant will, therefore, be required to charge to its

depreciation reserve fund the entire cost of replacements in kind. Where not made in kind the charge shall be the estimated present cost, or reproduction new value of the property displaced, and the difference between that cost and the cost of the property installed shall be debited or credited to plant account as the case may be, due allowance being made for all salvage values in the displaced property.

Applicant states that the return to its bond and stockholders in the past is a satisfactory measure of future return. This return is figured at 5 per cent. upon its bonds and preferred stock and 7 per cent. upon its common stock. All of these securities have been issued under authority of the Commission, and while the Commission is not advised as to the judiciousness of the investment of their proceeds in all respects, the emergency presented by the application does not permit of an inquiry along this line. The Commission also takes cognizance of the fact that the compensation contracts being entered into between the Federal Government and telephone companies provide for the payment of interest and dividend charges as in the past. It finds, therefore, for the purposes of this case, that the return so calculated is reasonable. The annual financial requirements of the applicant are, therefore, estimated as follows, to-wit:

Operation based on cost of first seven months of 1918, multiplied by 120 per cent.....	\$625,957 92
Maintenance and depreciation based on 9 per cent. of book value of plant.....	638,102 60
Taxes based on 1917 taxes of \$78,432, plus \$40,000.....	118,432 00
Telephone plant and office rental.....	11,278 32
Interest on \$1,200,000 of bonds at 5 per cent.....	60,000 00
Dividends on \$3,957,456 of preferred stock at 5 per cent.	197,872 80
Dividends on \$2,005,795 of common stock at 7 per cent....	140,405 65
Miscellaneous interest and amortization requirements.....	5,429 04
TOTAL	\$1,797,478 33

The actual expenditures for above purposes in 1917 amounted to \$1,467,859.97, approximately \$330,000 less than the estimate for the coming year. The increased expenses

C. L. 84]

over 1917, previously noted, to-wit, wage advance already made, \$50,000, wage advance to be made, \$153,491.20, materials, \$100,000, and taxes, \$40,000, totaling \$343,491.20, are therefore seen to be included in the budget substantially, and actual expenditures will doubtless fall below the budget under the new method of charging consolidation costs to capital.

It must be understood, however, that consolidation costs may not be charged to capital in cases where it will result in a greater charge to capital than the value of the plant. Application should be made to the Commission in such cases for a valuation of the property after consolidation and a determination of the amount properly chargeable to capital, and should a deficit arise in a proceeding of that character it would appear that it should be charged to common stock dividend account, as an injudicious investment.

Applicant's proposal to increase only part of its local service rates is open to objection, if the new rates are to be permanent. The application and showing are predicated upon the entire business of the company and not upon the business of the particular exchanges at which the increased rates are to apply. It may be that an accounting study of the business done by these exchanges in the past would show a surplus at some of them sufficient to absorb the increased cost now about to ensue, in which case an advance in rates would not be justified. The fact, however, that the rates affected are now subnormally below those found by the Commission to be reasonable for similar services elsewhere on the system raises the presumption in an emergency proceeding that the rates should be raised to normal, pending a full inquiry as to the business of the exchange. The amount of funds represented by the proposed increase are required in addition to the funds likely to accrue from the proposed advance in toll rates, and it would be unfair in a proceeding of this nature to raise the local service rates, that are already high compared with the subnormal rates, without placing all rates on an equality. Credit will be given to each exchange separately for all of

the revenues accruing from its rates including a reasonable percentage of the toll revenues collected by it, and the order increasing the rates will not relieve applicant of the duty of establishing the reasonableness of each of the rates in subsequent proceedings. In fact, applicant should do so at the earliest opportunity and the order herein will fix a time for such action.

The rates affected are described in the order only, for brevity. Assuming that there will be no loss of subscribers under the new rates, the increase will provide \$107,940 of additional revenue per annum. Applicant anticipates some loss in business, however, not so much from the increase of monthly rates as from the service connection charges established by the Federal Government. The record shows that approximately one-third of the people now applying for regular telephone service are refusing to take it on account of the service connection charges. The average term of a telephone subscriber in the city of Lincoln was found upon study to be somewhat over five years and the average rate is \$27.00 per annum, or \$135 for five years. Applying the service connection charges to the whole number of Lincoln subscribers results in an average of such charges of \$8.00 per subscriber. Two such charges gained, or \$16.00, compared with one loss of rates for five years, or \$135, represents the loss in gross revenue on account of the action of the Federal Government.

The record shows further that with practically no service connection charges in force applicant secured 2,615 new subscribers in Lincoln in 1917 and lost 2,006. If one-third of the new subscribers had refused the service, only 1,743 new subscribers would have been gained as against 2,006 lost. The net loss of 263 subscribers represents 2.2 per cent. of the 11,900 subscribers connected with the exchange. True, the loss is not likely to continue in such proportions. The public in time will doubtless get accustomed to the new rates, but the result so far may well occasion grave concern on the part of those charged with the administration of the property.

C. L. 84]

The increase of 25 per cent. in toll rates applied for will yield \$119,426.04, assuming that the volume of toll business done during the first seven months of 1918 will continue. There is little reason for a decline in toll business, as the new rates do not appear to be excessive from the standpoint of the value of the service in this time of high prices, and long distance communications are usually made regardless of cost.

Adding these estimated increases in exchange and toll revenues to the receipts from those sources for the first seven months of 1918, theoretically extended to cover a full year, and including sundry revenues, gives the following estimate of applicant's annual revenues under the proposed schedule, to-wit:

Exchange revenues (\$107,940 increased revenue, plus \$1,140,420 old revenue)	\$1,248,360 00
Toll revenues (\$119,426 increased revenue, plus \$477,704 old revenue)	597,130 00
Sundry revenues (no increase)	32,628 00
TOTAL	\$1,878,118 00

This is \$80,000 more than the estimated requirements, or about $4\frac{1}{2}$ per cent. of the budget, which is not excessive considering the fluctuating character of revenues and expenses in a year's time. No greater return will be permitted to inure to bond and stockholders by reason of the increase and the order herein will so provide. The increase of rates will also be limited to six months from the effective date of the order, subject to continuation by the Commission on due proof of the necessity. Monthly reports of revenues and expenses, including appropriations to the depreciation reserve fund and expenditures on that account, will be required so as to enable the Commission to keep in touch with the results of the increase.

Applicant also proposes to discontinue the rates for purely local service at the Havelock, University Place and College View exchanges and substitute the Lincoln zone rates and service therefor. The subscribers availing themselves

[Neb.]

of these local services are comparatively few in number and consist largely of those served by party lines, which also furnish zone service. The change is in harmony with the principle of regulation which dispenses with classes of service that are not in considerable demand, and the impossibility of effectively policing two classes of service on a single wire so that only those who pay for zone service receive it, is conclusive as to the wisdom of abolishing the limited service. The Commission finds, therefore, that the discontinuance of rates for purely local service in the cities of Havelock, University Place and College View, and the substitution of Lincoln zone rates and service therefor, is reasonable and should be allowed.

Applicant showed in support of its request to postpone the hour at which night toll rates go into effect from 6:00 P. M. to 9:00 P. M. that the toll lines are used during the intervening hours to a greater extent and more toll operators are required at that time than any other similar period during the day. This is due to the 50 per cent. reduction from day rates (with a minimum of 25 cents) then in effect. The traffic done consists mainly of business communications legitimately carrying day rates. This abnormal traffic during these hours is especially burdensome to the operators. It compels them to work night hours and to go to their homes in the dark during much of the year. It also prevents their going to evening entertainments and meetings and is one of the objections to entering the employment.

The change will affect only a trifle over 30 per cent. of the messages, as nearly 70 per cent. of the traffic carries rates of from 10 to 25 cents a message only. An additional 17 per cent. of all messages carry rates of from 30 to 40 cents each. It was also shown that 9:00 P. M. is quite the uniform hour for night rates going into effect throughout the country, and that it is the rule in all of the states adjacent to Nebraska, excepting Kansas. The Commission finds, therefore, that the request is reasonable and the

C. L. 84]

order will provide for the postponement of the hour at which night toll rates go into effect from 6:00 P. M. to 9:00 P. M.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Lincoln Telephone and Telegraph Company be, and the same is hereby, authorized and directed on and after November 1, 1918, and for a period of six months thereafter, to charge, collect and receive the following schedule of monthly rates for the service described, at the exchanges named, to-wit:

<i>Exchange</i>	<i>Total Stations</i>	<i>Number Affected</i>	<i>Class of Service Affected</i>	<i>Present Rate</i>	<i>Proposed Rate</i>	
Ashland.....	820	441	Farm.....	\$1 00	\$1 25 G*	
Beatrice.....	2,799	574	Residence, 2-party.....	1 50	1 75	
Belvidere.....	208	825	Residence, 4-party.....	1 25	1 50	
		18	Business, 1-party.....	2 00	2 50	
		12	Residence, 1-party.....	1 00	1 50	
Benedict.....	266	57	Residence, 2-party.....	1 00	1 25	
		32	Residence, 4-party.....	1 00	1 25	
Berlin.....	104	56	Farm.....	1 00	1 50	Cancel 2-party residence. Change from local to two-town service.
		14	Business, 1-party.....	1 00	2 00 G	
		25	Residence, 1-party.....	1 00	1 25 G	
Bradshaw.....	332	62	Farm.....	1 00	1 25 G	Cancel other grounded rates. Cancel 2-party.
		49	Residence, 4-party.....	1 00	1 25	
		150	Farm and county.....	1 00	1 50	Change from local to 2-party town service.
Carleton.....	214	65	Business, 1-party.....	1 50	1 50	Change from county to 2-party town service.
		11	Residence, 1-party.....	2 00	2 50	
		50	Residence, 2-party.....	1 00	1 50	
Cedar Bluffs.....	340	33	Business, 1-party.....	1 50	2 50	Two-town service.
		19	Residence, 1-party.....	1 00	1 50	Two-town service.
		80	Residence, 2-party.....	1 00	1 25	Two-town service.
		200	Farm.....	1 00	1 25 G	Two-town service.
Ceresco.....	256	22	Business, 1-party.....	1 50	2 50	Two-town service.
		13	Residence, 1-party.....	1 00	1 50	Two-town service.
		50	Residence, 2-party.....	1 00	1 50	Two-town service.
		169	Farm.....	1 00	1 25	Two-town service.
Clatonia.....	131	14	Business, 1-party.....	1 00	1 25 G	Two-town service.
		31	Residence, 1-party.....	1 00	1 25 G	Two-town service.
Colon.....	148	11	Business, 1-party.....	1 50	2 50	Two-town service.
		5	Residence, 1-party.....	1 00	1 50	Two-town service.
		24	Residence, 2-party.....	1 00	1 25	Two-town service.
		105	Farm.....	1 00	1 25 G	Two-town service.

L. 84]

Cordova.....	214	6	Business, 2-party.....	2 00	2 50	B.1†	Cancel 2-party business.
Dorchester.....	453	88	Residence, 4-party.....	1 00	1 25		Cancel 2-party residence rate.
De Witt.....	357	44	Business, 1-party.....	1 50	2 50		Two-town service.
.....	.....	93	Residence, 1-party.....	1 25	1 25		Two-town service.
Dunbar.....	364	10	Residence, 2-party.....	1 00	1 25		Two-town service.
.....	.....	30	Residence, 1-party.....	1 50	1 75		Same as Nebraska City.
Edgar.....	497	27	Residence, 2-party.....	1 25	1 50	G	Added service to Nebraska City.
.....	.....	195	Farm.....	1 00	1 25		Cancel city grounded rates.
.....	.....	50	Business, 1-party.....	1 50	2 50		Cancel city grounded rates.
.....	.....	40	Residence, 1-party.....	1 00	1 25		Cancel city grounded rates.
.....	.....	170	Residence, 2-party.....	1 00	1 25		Cancel city grounded rates.
Filley.....	135	4	Business, 1-party.....	1 75	2 50		Cancel 2-party business rate.
.....	.....	12	Business, 2-party.....	1 50	2 50		Cancel 2-party business rate.
Geneva.....	824	68	Farm.....	1 25	1 50		Cancel 2-party business rate.
.....	.....	42	Business, 2-party.....	2 50	3 00	B.1	Added service to Seward — same rate as Seward.
.....	.....	54	Residence, 1-party.....	1 50	1 75		New 2-party residence rate.
.....	.....	293	Residence, 2-party.....	1 25	1 50		Cancel 2-party residence.
Germanatown.....	180	18	Business, 1-party.....	2 50	3 00		Two-town service.
Grafton.....	208	10	Residence, 1-party.....	1 25	1 25		Hastings zone — same rates and service as Hastings.
.....	.....	31	Residence, 2-party.....	1 25	1 25		Hastings zone — same rates and service as Hastings.
Gresham.....	392	91	Residence, 4-party.....	1 00	1 25		Hastings zone — same rates and service as Hastings.
.....	.....	257	Farm.....	1 00	1 50		Hastings zone — same rates and service as Hastings.
Hansen.....	168	3	Business, 1-party.....	3 50	4 00		Hastings zone — same rates and service as Hastings.
.....	.....	5	Business, 2-party.....	3 00	3 50		Hastings zone — same rates and service as Hastings.
Hastings.....	3,239	8	Residence, 2-party.....	1 50	1 75		Hastings zone — same rates and service as Hastings.
.....	.....	298	Business, 1-party.....	3 50	4 00		Zone service.
.....	.....	84	Business, 2-party.....	3 00	3 50		Zone service.
.....	.....	1,454	Residence, 2-party.....	1 50	1 75		Zone service.
Humboldt.....	526	62	Business, 1-party.....	2 00	2 50		
.....	.....	48	Residence, 1-party.....	1 00	1 50		
.....	.....	200	Residence, 2-party.....	1 00	1 25		
.....	.....	132	Farm.....	1 25	1 50		

* G — Grounded.

† B.1 — Business, 1-party.

<i>Exchange</i>	<i>Total Stations</i>	<i>Number Affected</i>	<i>Class of Service Affected</i>	<i>Present Rate</i>	<i>Proposed Rate</i>	
Ithaca.....	142	11	Business, 1-party.....	\$1 50	\$2 50	Two-town service.
	.....	5	Residence, 1-party.....	1 00	1 50	Two-town service.
	.....	20	Residence, 2-party.....	1 00	1 25	Two-town service.
Juniata.....	181	104	Farm.....	1 00	1 25 G*	Two-town service.
	.....	3	Business, 1-party.....	3 50	4 00	Hastings zone — same rates and service.
	.....	9	Business, 2-party.....	3 00	3 50	Hastings zone — same rates and service.
Louisville.....	306	55	Residence, 2-party.....	1 50	1 75	Hastings zone — same rates and service.
	.....	29	Business, 1-party.....	2 00	2 50	
	.....	23	Residence, 1-party.....	1 00	1 50	
	.....	70	Residence, 2-party.....	1 00	1 25	
Lushton.....	110	11	Business, 1-party.....	1 50	2 50	
	.....	5	Residence, 1-party.....	1 00	1 50	
	.....	25	Residence, 2-party.....	1 00	1 25	
	.....	14	Farm.....	1 00	1 50	One town to two towns.
	.....	19	Farm.....	1 50	1 50	County to two towns.
McCool.....	311	19	Business, 1-party.....	1 50	2 50	
	.....	11	Residence, 1-party.....	1 00	1 50	
	.....	80	Residence, 2-party.....	1 00	1 25	
	.....	97	Farm.....	1 00	1 50	One town to two towns.
	.....	98	Farm.....	1 50	1 50	County to two towns.
Mead.....	236	21	Business, 1-party.....	1 50	2 50	
	.....	10	Residence, 1-party.....	1 00	1 50	
	.....	40	Residence, 2-party.....	1 00	1 25	
	.....	152	Farm.....	1 00	1 25 G	
Millford.....	496	26	Business, 2-party.....	2 00	2 50	Change from 2- to 1-party.
Milligan.....	212	17	Business, 1-party.....	2 00	2 50	Cancel grounded rates, cut to metallic.
	.....	8	Residence, 1-party.....	1 00	1 50	Cancel grounded rates, cut to metallic.
	.....	35	Residence, 2-party.....	1 00	1 25	Cancel grounded rates, cut to metallic.
Nebraska City.....	1,646	435	Residence, 1-party.....	1 50	2 00	
	.....	458	Residence, 2-party.....	1 25	1 50	

C. L. 84]

Nehawka.....	208	21	Business, 1-party.....	1 50	2 50	
.....	.....	11	Residence, 1-party.....	1 00	1 50	
.....	.....	50	Residence, 2-party.....	1 00	1 25	
Ong.....	271	96	Farm.....	1 50	2 50	
.....	.....	17	Business, 1-party.....	1 00	1 50	
.....	.....	17	Residence, 1-party.....	1 00	1 25	
.....	.....	60	Residence, 2-party.....	1 00	1 25	
.....	.....	142	Farm.....	1 00	1 25	G
Panama.....	192	133	Farm.....	1 25	1 50	
Pauline.....	92	4	Business, 1-party.....	3 50	4 00	
.....	.....	8	Business, 2-party.....	3 00	3 50	
Plattsmouth.....	1,065	12	Residence, 2-party.....	1 50	1 75	Hastings zone — same rates and service. Hastings zone — same rates and service. Hastings zone — same rates and service.
.....	.....	126	Business, 1-party.....	2 50	3 00	
.....	.....	332	Residence, 1-party.....	1 50	2 00	
.....	.....	309	Residence, 2-party.....	1 25	1 50	
Polk.....	537	38	Residence, 4-party.....	1 00	1 25	Give 2-party service and cancel 4-party.
Prosser.....	141	4	Business, 1-party.....	3 50	4 00	
.....	.....	8	Business, 2-party.....	3 00	3 50	
.....	.....	21	Residence, 2-party.....	1 50	1 75	Same as Hastings zone and service.
Seward.....	1,045	125	Business, 1-party.....	2 50	3 00	
Steinauer.....	237	14	Business, 1-party.....	1 25	2 50	
.....	.....	9	Residence, 1-party.....	1 00	1 25	
.....	.....	30	Residence, 2-party.....	1 00	1 25	
.....	.....	175	Farm.....	1 25	1 50	
Sterling.....	501	26	Business, 2-party.....	2 00	2 50	Change from 2-party to 1-party, cancel 2-party. Cancel 2-party business.
Superior.....	899	87	Business, 1-party.....	2 50	3 00	
.....	.....	36	Business, 2-party.....	2 00	3 00	
.....	.....	150	Residence, 1-party.....	1 50	1 75	
.....	.....	310	Residence, 2-party.....	1 25	1 50	
Sutton.....	672	305	Farm.....	1 00	1 50	10 or less metallic. Unlimited number on a line.
.....	.....	.....	Farm.....	1 00	1 25	
.....	.....	137	Farm.....	1 00	1 25	G
Syracuse.....	577	12	Business, 1-party.....	2 00	3 00	Change from local service to include Seward.
Tamora.....	208	6	Residence, 1-party.....	1 00	2 00	Change from local service to include Seward.
.....	.....	39	Residence, 2-party.....	1 00	1 50	Tamora and Seward, or one adjacent exchange. Cancel county rate.
.....	.....	50	Farm.....	2 00	1 50	

* G — Grounded.

NEBRASKA STATE RAILWAY COMMISSION.

[Neb.

Exchange	Total Stations	Number Affected	Class of Service Affected	Present Rate	Proposed Rate	
Thayer.....	149	10	Business, 1-party.....	\$1 50	\$2 50	
		8	Residence, 1-party.....	1 00	1 50	
		30	Residence, 2-party.....	1 00	1 25	Cancel 4-party residence rate.
		28	Farm.....	1 00	1 50	Two-town service.
		68	Farm.....	1 50	1 50	County to town service.
Tecumseh.....	853	42	Business, 2-party.....	2 50	3 00	Cancel 2-party.
Waco.....	337	32	Residence, 4-party.....	1 00	1 25	Cancel 4-party residence rate.
		126	Farm.....	1 00	1 50	Change from local to two-town service.
		91	Farm.....	1 50	1 50	County to two-towns.
Wahoo.....	928	117	Business, 1-party.....	2 75	3 00	
		38	Residence, 1-party.....	1 25	1 75	Two-town service.
		394	Residence, 2-party.....	1 25	1 50	Two-town service.
		341	Farm.....	1 00	1 25 G*	Two-town service.
Weeping Water.....	522	51	Business, 1-party.....	2 00	2 50	
		28	Residence, 1-party.....	1 00	1 50	
		200	Residence, 2-party.....	1 00	1 25	
		21	Farm.....	1 50	1 50	New metallic — no change.
		178	Farm.....	1 00	1 25 G	
Wilber.....	564	76	Business, 1-party.....	1 50	2 50	
		24	Residence, 1-party.....	1 00	1 50	
		160	Residence, 2-party.....	1 00	1 25	
		294	Farm.....	1 25	1 50	
Wymore.....	599	32	Business, 2-party.....	2 00	2 50	Cancel 2-party business rate.
		92	Residence, 1-party.....	1 50	1 75	Cancel 2-party business rate.
		172	Residence, 2-party.....	1 25	1 50	Free to Blue Springs.
		200	Residence, 4-party.....	1 00	1 25	Free to Blue Springs.
York.....	1,861	55	Business, 1-party.....	2 50	3 00	Cancel 2-party business.
		249	Residence, 1-party.....	1 75	2 00	
		274	Residence, 2-party.....	1 50	1 75	
		525	Residence, 4-party.....	1 25	1 50	

C. L. 84]

Yutan.....	242	21	Business, 1-party.....	2 00	2 50	
		16	Residence, 1-party.....	1 00	1 50	
		50	Residence, 2-party.....	1 00	1 25	
Glenvil.....	243	10	Business, 1-party.....	3 50	4 00	
		9	Business, 2-party.....	3 00	3 50	
		42	Residence, 2-party.....	1 50	1 75	
		53	Farm.....	1 25	1 50	
Fairbury.....	1,800	189	Business, 1-party.....	2 00	3 00	
		16	Business, 2-party.....	1 50	2 50	
		511	Residence, 1-party.....	1 25	1 50	
		463	Residence, 4-party.....	1 00	1 25	
Lincoln.....	14,024	3,208	Residence, 1-party.....	2 25	2 50	
		5,083	Residence, 2-party.....	1 75	2 00	
University Place.....	1,080	1	Business, 1-party local.....	4 00	6 00	Change from local to zone rate.
		2	Business, 2-party local.....	3 00	4 50	Cancel local rate.
		19	Residence, 2-party local.....	1 50	2 00	Cancel local rate.
		44	Farm, local.....	1 50	2 00	
		73	Residence, 1-party zone.....	2 25	2 50	
		709	Residence, 2-party zone.....	1 75	2 00	
Havelock.....	424	4	Business, 2-party local.....	3 00	4 50	
		20	Residence, 1-party zone.....	2 25	2 50	
		250	Residence, 2-party zone.....	1 75	2 00	
College View.....	468	33	Residence, 2-party local.....	1 50	2 00	Change from local to zone rate.
		2	Business, 1-party local.....	3 50	6 00	
		2	Business, 2-party local.....	2 50	4 50	
		46	Residence, 1-party zone.....	2 25	2 50	
		247	Residence, 2-party zone.....	1 75	2 00	
		4	Residence, 1-party local.....	1 75	2 50	Change from local to zone rate.
		77	Residence, 2-party local.....	1 25	2 00	Cancel local rate.
Davey.....	195	...	Business, 1-party local.....	2 50	3 00	
		4	Business, 2-party local.....	2 00	2 50	
		...	Residence, 1-party local.....	1 75	2 00	
		1	Business, 4-party zone.....	3 50	4 50	Cancel 4-party business.
		8	Residence, 2-party local.....	1 25	1 50	Raise to 2-party business.
		...	Residence, 1-party zone.....	2 25	2 50	
		7	Residence, 2-party zone.....	1 75	2 00	
		116	Farm, local.....	1 50	1 75	

* G — Grounded.

<i>Exchange</i>	<i>Total Stations Affected</i>	<i>Number Affected</i>	<i>Class of Service Affected</i>	<i>Present Rate</i>	<i>Proposed Rate</i>
Raymond.....	189	1	Business, 1-party local.	\$2 50	\$3 00
	5	Business, 2-party local.	2 00	2 50
	Business, 4-party zone.	3 50	.....
	Residence, 1-party local.	1 75	2 00
	15	Residence, 2-party local.	1 25	1 50
	1	Residence, 1-party zone	2 25	2 50
	12	Residence, 2-party zone	1 75	2 00
	90	Farm, local.....	1 50	1 75
Waverly.....	232	.....	Business, 1-party local.	2 50	3 00
	6	Business, 2-party local.	2 00	2 50
	Business, 4-party zone.	3 50	.....
	Residence, 1-party local.	1 75	2 00
	47	Residence, 2-party local.	1 25	1 50
	2	Residence, 1-party zone	2 25	2 50
	18	Residence, 2-party zone	1 75	2 00
	127	Farm, local.....	1 50	1 75
Malcolm.....	122	.....	Business, 1-party local.	2 00	3 00
	5	Business, 2-party local.	2 50	2 50
	Business, 4-party zone.	3 50	.....
	Residence, 1-party local.	1 75	2 00
	2	Residence, 2-party local.	1 25	1 50
	1	Residence, 1-party local.	2 25	2 50
	14	Residence, 2-party zone	1 75	2 00
	59	Farm, local.....	1 50	1 75
Message rate from local subscribers at Raymond, Malcolm, Waverly and Davey to Lincoln, Univer-					Cancel 4-party rate.
					Cancel 4-party rate.

C. L. 84]

City Place, Have- lock and College View.	198	16	Business, 1-party.	05	10	Estimated.
Bellwood.	11 R.4	11 R.4	Residence, 1-party.	1 50	2 50	Change from residence 4-party to 1-and 2-party.
	40 R.4	40 R.4	Residence, 2-party.	1 00	1 50	Change from residence 4-party to 1-and 2-party.
	98	98	Farm.	1 00	1 50	From 1 to 2.
Burr.	179	12	Business, 1-party.	1 00	2 50	
		19	Residence, 1-party.	1 00	1 50	
		144	Farm G*.	1 00	1 25	
			Residence, 2-party.	1 00	1 25	
Douglas.	198	18	Business, 1-party.	1 50	2 50	
		6	Residence, 1-party.	1 00	1 50	
		50	Residence, 2-party.	1 00	1 25	
		25	Farm G.	1 00	1 25	
		95	Switching.	30	50	
Fairfield.	440	40	Business, 1-party.	1 50	2 50	
		16	Residence, 1-party.	1 00	1 50	
		180	Residence, 2-party.	1 00	1 25	
		151	Farm G.	1 00	1 25	
		43	Switching.	40	50	
Plymouth.	271	26	Business, 1-party.	2 00	2 50	
Shelby.	360	34	Business, 1-party.	1 50	2 50	
		7	Residence, 1-party.	1 00	1 50	
		90	Residence, 2-party.	1 00	1 25	
		184	Farm.	1 00	1 50	
Shickley.	413	33	Business, 1-party.	2 00	2 50	Change from one to two-town service.
		9	Residence, 1-party.	1 00	1 50	
		90	Residence, 2-party.	1 00	1 25	

* G-Grounded.

Subject to the condition that the revenues derived from the rates in effect at each and every of said exchanges, plus 25 per cent. of all revenue derived from applicant's toll business originating at said exchanges, respectively, and all other revenues of said exchanges, shall be used and expended only as follows, to-wit:

1. In defraying the costs of operating said exchange properties, respectively, including taxes, insurance, losses, damages and general expenses.

2. In defraying the cost of maintaining said exchange properties, respectively, in an efficient operating condition and of creating a reserve for unrealized depreciation, the combined amount of which shall be 9 per cent. per annum of the fixed capital invested by applicant in said properties, respectively.

3. In paying such a proportion of the interest on applicant's bonded and floating indebtedness as the fixed capital above-mentioned bears to the total fixed capital invested by applicant in all of its properties devoted to public use, and at the rate or rates prescribed in the evidences of such indebtedness.

4. In paying dividends upon applicant's preferred stock at the rates prescribed in the evidences thereof, and upon applicant's common stock not to exceed 7 per cent. per annum, according to the relation described in Paragraph 3 hereof.

5. The remainder of said local exchange revenues, if any, shall be credited to a surplus account for the purpose of paying any deficit that may arise in the discharge of any of the requirements above-mentioned.

It is further ordered, That applicant shall make due proof to the Commission on or before May 1, 1919, of the reasonableness of all of the rates in effect or made effective by this order, at each and every of the exchanges above named.

It is further ordered, That the basis of all charges to applicant's Reserve for Accrued Depreciation fund shall be the full cost of replacements made in kind, less salvage

N. L. 84]

values of the property displaced. Where replacements are not made in kind the basis of charge shall be the reproduction new value of the property displaced as of the time of the purchase of the property installed; and the difference between that cost and the cost of the property installed shall be debited or credited to plant account according as the cost of the property installed shall be above or below the estimated reproduction new value of the property displaced. No other charges of any nature shall be made to said fund, and, particularly, no costs incurred in the consolidation of plants or properties other than replacement costs of property constituting a part of the property owned by applicant in the first instance.

It is further ordered, That the rates of charge for local service at applicant's exchanges in Havelock, University Place and College View be, and the same is hereby, discontinued on and after November 1, 1918, and that the Lincoln zone service and rates be substituted therefor.

It is further ordered, That the Lincoln Telephone and Telegraph Company be, and the same is hereby, authorized and directed on and after November 1, 1918, and for a period of six months thereafter, to charge to, and collect and receive from, subscribers receiving regular exchange service, rates of charge for long distance, or toll communications in amount equal to 25 per cent. greater than the rates now on file with the Commission for such service, major fractions of one cent to be counted as a full cent in the computation. To all other users of such service the rates of charge shall be the same as to regular subscribers with additions in the case of charges not divisible by 5, or an amount sufficient to make such division. Seventy-five per cent. of all of the revenues derived by the applicant from its toll rates, and all other revenues properly belonging to the toll business, shall be used and expended in the operation and maintenance of the toll property and in paying its proportion of interest and dividends as set forth in the conditions attached to the expenditure of exchange revenues above described; the remainder, if any, to be

credited to a surplus account for the purpose of paying any deficit that may arise in the discharge of said requirements.

It is further ordered, That applicant shall make due proof to the Commission on or before May 1, 1919, of the reasonableness of all of the toll charges now in effect or made effective by this order.

It is further ordered, That the hour of day at which reduced, or night, toll rates shall go into effect shall be 9 o'clock P. M. of each day.

It is further ordered, That the exchange and toll rates hereby superseded shall be restored and again become effective on May 1, 1919, unless otherwise ordered by the Commission prior to said date, and that jurisdiction of the instant matter be retained for all purposes within the issues thereof.

Made and entered at Lincoln, Nebraska, as of October 1, 1918.

TRI-COUNTY TELEPHONE COMPANY v. GANDY SWITCHBOARD COMPANY.

Formal Complaint No. 371.

Decided October 5, 1918.

Physical Connection Ordered Restored — Twenty-four Hours Considered a Reasonable Time Within Which to Restore Same in Case of Accident or Damage.

FINDINGS.

This matter came on for hearing the twenty-fourth day of September, 1918, at 10 o'clock A. M. of said day, at the offices of the Commission in Lincoln, Nebraska, upon the order* entered herein on September 18, 1918, to require the complainant to show cause why an order should not be made requiring it to forthwith connect its long distance telephone line or lines with the exchange or switchboard

* See Commission Leaflets No. 83, p. 1631, and No. 81, p. 1000.

C. L. 84]

of the respondent, and the said Tri-County Telephone Company not appearing and not showing any cause why the proposed order should not be made against it, default is entered against it, the said Tri-County Telephone Company.

Complainant advises the Commission by letter that it has connected its long distance telephone line with respondent's switchboard in Gandy, Nebraska, but that it intends to sever the same on October 23, 1918, at the village limits of Gandy, Nebraska, and to remove that portion of the line within said limits, offering, however, to make and maintain the connection of said line with the respondent's switchboard, if the respondent will build a telephone line from its exchange to the village limits so as to connect with the complainant's line. No good reason is assigned or shown by the complainant for this contemplated action on its part. The Commission, therefore, finds that it is just and reasonable to require the Tri-County Telephone Company to make and maintain a physical connection of its long distance telephone line or lines with the switchboard of the Gandy Switchboard Company, and to keep the same in good working order without interruption, unavoidable accident or damage excepted. In case of accident or damage the Commission finds that twenty-four hours is a reasonable time ordinarily within which to repair the same.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Tri-County Telephone Company of Stapleton, Nebraska, be, and the same is, required to make and maintain physical connection by means of telephone line or lines between its switchboard located in Stapleton, Nebraska, and the switchboard of the Gandy Switchboard Company located in Gandy, Nebraska, forthwith within twenty-four hours of the receipt of this notice by mail, and to furnish long distance or toll telephone service over said line or lines continuously in the future without interruption for more than twenty-four hours at any one time and then only when occasioned by accident or damage to

the property involved. In case of such destruction of the facilities involved as cannot be repaired within the time given, such time will be extended upon due showing to the Commission that the repairs cannot be made within the allotted time, the intention hereof being to maintain long distance telephone service between said exchanges without interruption, save for the time necessary to make repairs.

Made and entered at Lincoln, Nebraska, this fifth day of October, 1918.

In re APPLICATION OF NEBRASKA TELEPHONE COMPANY FOR AN
INCREASE OF RATES.

Application No. 3696.

Decided October 28, 1918.

**Increase in Exchange and Toll Rates for Period of Six Months Authorized
— 9 Per Cent. Fixed for Reserve for Depreciation and Maintenance — 7 Per Cent. Fixed as Rate of Return — Change in
Hour at Which Reduced Toll Rates Go Into Effect
Prescribed — Basis of Charges to Reserve for
Depreciation Account Prescribed.**

(ORDER.

It is ordered by the Nebraska State Railway Commission,
That the Nebraska Telephone Company be, and the same is hereby, authorized and directed on and after December 1, 1918, and for a period of six months thereafter, to charge, collect and receive for regular local service at each and every of its exchanges amounts which are 10 per cent. in excess of the rates now on file with the Commission applicable to said exchanges, subject to the condition that the respective revenues derived from the rates in effect at each and every of said exchanges, plus 25 per cent. of all revenues derived from applicant's toll business originating at said exchanges, and all other revenues of said exchanges, respectively, shall be used and expended only as follows, to-wit:

C. L. 84]

1. In defraying the cost of operating said exchange properties, respectively, including taxes, insurance, losses, damages and general expenses.

2. In defraying the cost of maintaining said exchange properties, respectively, in an efficient operating condition, and of creating a reserve for unrealized depreciation, the combined amount of which shall be 9 per cent. per annum of the fixed capital invested by applicant in said properties, respectively.

3. In paying such a proportion of the interest on applicant's indebtedness as the fixed capital above-mentioned bears to the total fixed capital invested by applicant in all of its properties devoted to public use and at the rate or rates prescribed in the evidences of such indebtedness.

4. In paying dividends upon applicant's common stock at a rate not to exceed 7 per cent. per annum according to the relation described in Paragraph 3 hereof.

5. The remainder of said local exchange revenues, if any, shall be credited to a surplus account for the sole and exclusive purpose of paying any deficit that may arise in the discharge of any of the requirements above-mentioned.

It is further ordered, That the Nebraska Telephone Company be, and the same is hereby, authorized and directed on and after November 1, 1918, and for a period of six months thereafter, to charge to, and collect and receive from, subscribers receiving regular local service, rates of charge for long distance or toll communications in amounts equal to 25 per cent. in excess of the rates now on file with the Commission for such service, major fractions of one cent to be counted as a full cent in the computation. To all other users of such service the rates of charge shall be the same as to regular subscribers with additions in the case of charges not divisible by 5 of an amount sufficient to make such division. Seventy-five per cent. of all of the revenues derived by the applicant from its toll rates, and all other revenues properly belonging to the toll business, shall be used and expended in the operation and maintenance of the toll property, and in paying its proportion of interest and

dividends as set forth in the conditions attached to the expenditure of exchange revenues above described, the remainder, if any, to be credited to a surplus account for the sole and exclusive purpose of paying any deficit that may arise in the discharge of said requirements.

It is further ordered, That the hour of day at which reduced, or night, toll rates shall go into effect shall be 9 o'clock P. M. of each day.

It is further ordered, That the Nebraska Telephone Company shall make due proof to the Commission, on or before May 1, 1919, of the reasonableness of all of the toll charges now in effect or made effective by this order.

It is further ordered, That the rates hereby superseded shall be restored and again become effective, the toll rates on May 1, 1919, and the exchange rates on June 1, 1919, unless otherwise ordered by the Commission prior to said dates respectively, and that jurisdiction of the instant matter be retained for all purposes within the issues thereof.

It is further ordered, That the basis of all charges to applicant's reserve fund for accrued depreciation shall be the full cost of replacements made in kind, less salvage values of the property displaced. Where replacements are not made in kind, the basis of charge shall be the reproduction new value of the property displaced as of the time of the purchase of the property installed, and the difference between that cost and the cost of the property installed shall be debited or credited to plant account, according as the cost of the property installed shall be above or below the reproduction new value of the property displaced. No other charges of any nature shall be made to said fund.

Whereas an emergency exists, this order shall take effect as to the local service rates affected thereby as of December 1, 1918, and as to all other matters contained therein as of November 1, 1918.

Made and entered at Lincoln, Nebraska, this twenty-eighth day of October, 1918.

OHIO.

The Public Utilities Commission.

In re APPLICATION OF THE CAMBRIDGE HOME TELEPHONE
COMPANY FOR AUTHORITY TO ISSUE STOCK AND BONDS.

No. 1353.

Decided September 30, 1918.

**Increase in Rate of Interest on Bonds Previously Approved, Authorized
in View of Financial Conditions.**

SUPPLEMENTAL ORDER.

The Commission having, by order made and entered herein as of date, March 27, 1918, authorized and consented to the issue by The Cambridge Home Telephone Company of \$25,800, par value, of common capital stock and \$81,000, principal sum of first mortgage, 6 per cent. bonds, and prescribed the purposes for which the proceeds arising from the sale thereof, at not less than par, should be expended, including \$52,227.67 for the unification and improvement of applicant's properties at Cambridge, Ohio, comes now said The Cambridge Home Telephone Company and represents and shows to the satisfaction of this Commission, that said improvements to its said property will cost not less than \$1,500 in excess of the sum contemplated at the time of its original application herein; that the conditions now obtaining in the financial markets render the sale of 6 per cent. bonds at par highly improbable, but that, by offering 7 per cent. interest it may be able to dispose of a limited amount of bonds, and that, in view of such increased interest charge, it desires to issue only so many bonds as may be necessary, and asks such modification and amendment of the former order entered herein as will authorize it to issue, in lieu of the securities prescribed therein, first mortgage, 7 per cent. bonds of the principal

sum of \$51,600 and common capital stock of the par value of \$55,200.

The Commission, being fully advised in the premises, finds that in addition to its findings of fact heretofore made and entered in this proceeding, the applicant has in contemplation other additions, extensions and improvements to its plant and facilities, the cost of which will be not less than the sum of \$1,500; that the issue of applicant's common stock of the par value of \$1,500 is reasonably required, and the money to be procured thereby necessary for the construction, completion, extension and improvement of applicant's facilities, and that the conditions actually obtaining in the financial markets warrant the assumption by applicant of such increased interest charge upon so many of its bonds as it may see fit to issue, and is satisfied that its consent and authority for the issue and disposition of said capital stock of the additional par value of \$1,500 should be granted, and that said order of March 27, 1918, should be modified and amended in conformity with the supplemental application duly filed herein.

It is, therefore, ordered, That the order made and entered herein as of date, March 27, 1918, be, and hereby it is, modified, amended and supplemented to read as follows, to-wit:

It is, therefore, ordered, That said The Cambridge Home Telephone Company be, and it hereby is, authorized to issue its common capital stock of the total par value of \$56,700, and its first mortgage, 7 per cent. bonds of the principal sum of \$51,600, and that said capital stock and bonds be sold for the highest price obtainable, but for not less than the par value thereof.

and in all other respects said order hereby is readopted save and except that, as to the expenditure of the proceeds thereof, there shall be included within the appropriation for the unification and improvement of applicant's facilities the proceeds arising from the sale of the additional capital stock, herein authorized, of the par value of \$1,500.

Dated at Columbus, Ohio, this thirteenth day of September, 1918.

OKLAHOMA.

Corporation Commission.

In re APPLICATION OF SOUTHWESTERN BELL TELEPHONE
COMPANY FOR AN INCREASE IN EXCHANGE RATES IN
OKLAHOMA CITY.

Cause No. 3470 — Order No. 1504.

Decided October 18, 1918.

**Increase in Rates Authorized — No Valuation Made — Effect of Increase
in Stations on Rate Per Station Considered — Mileage Charge
for Stations More than One Mile from Central Office Author-
ized — Measured Service Public Pay Stations Au-
thorized — Joint User Service Defined — Direc-
tory Listing Defined — Measured Rates
in Addition to Flat Rates
Authorized.**

ORDER.

The Southwestern Bell Telephone Company, owning and operating telephone exchanges and toll lines in the State of Oklahoma, filed its application with the Commission asking for an increase in exchange rates in the city of Oklahoma City. The matter came on regularly for hearing before the Commission, applicant being represented by its general counsel, *S. H. Harris*, and the city of Oklahoma City being represented by *Ed S. Vaught*, for the Chamber of Commerce, and *B. D. Shear* for the municipal council.

Witnesses for the applicant testified that the expenditures for the year 1918, estimated on the expenses for the year 1917, and the per cent. increases for the exchanges of the company as a whole, for the first five months of 1918, will amount to \$430,525. This does not include allowances for depreciation, amounting to 6 per cent., upon the company's investment in physical plant. The revenue based on the number of stations in service June 1, 1918, at the rates

now in effect will amount to \$481,410. The Commission's engineer investigated the revenues and expenditures for the first six months of 1918, and part of the expenditures for the months of July and August, 1918, by making an inspection of the company's books, payrolls and other records in the company's general office. He estimated from the figures which he found, that the expenses for the year 1918, will amount to \$402,296, the revenues to \$467,713. The estimate of the Commission's engineer, therefore, based on the actual figures taken from the company's books, is \$28,229 less for expenditures and \$13,697 less for revenues than the company's estimate.

On the estimate of the company for the same amount of stations of \$430,525 expenditures, there would be a net income of \$50,885. On the estimate of the Commission's engineer of \$402,296, there would be a return of \$65,417. The records of the company for the past three years show for each year a slight increase in revenue for the last six months over the first half of the year. This is offset by a corresponding increase in expenditures. These variations, included with the figures for the year 1918, on the basis of preceding years, would not greatly change the ratio of revenues and expenditures.

The Commission has not attempted to make a valuation of the company's plant in Oklahoma City; neither is it practicable to do so under present conditions. So many applications for increases in rates are being filed by public utilities, and so much difficulty is experienced in securing the assistance of the help necessary to make inventories necessary for a basis of valuation, that it is altogether out of the question to attempt it, generally. The testimony shows that the actual cost of the physical items included in the Oklahoma City plant, according to company's books, as of June 1, 1918, is \$1,572,925.

An appraisal made by representatives of the company as of June 1, 1918, shows a physical valuation of \$2,038,885. Including the company's estimate of the cost of establishing the business, and the amount necessary for working capital, the company claims a total valuation of \$3,531,679.

C. L. 84]

It is unnecessary to pass upon the reasonableness of the company's estimate of valuation, for the reason that the figures given for revenues and expenditures show that the rates in Oklahoma City are too low to allow a return on the investment in the company's plant. Public utilities must secure enough revenue to allow a return on the property sufficient to pay operating expenses and take care of depreciation, if they are to continue in existence; and if they are to extend their plants to take care of increased business, they must secure enough more revenue to induce the investment of such capital as will pay for these extensions. The revenue of the Oklahoma City plant is not sufficient to take care of depreciation after paying operating expenses, let alone any return on the investment.

The rates now in effect in Oklahoma City were installed in 1909 when Oklahoma City had a population of approximately 60,000 and the plant had about 5,500 telephones. As early as 1908 the municipal council of Oklahoma City, as well as the telephone company, foresaw the necessity of providing for the higher operating cost per station as the plant increased in the number of stations, by granting the telephone company a franchise which included a sliding scale of rates, which automatically permitted the company to raise its rates as the number of stations increased. The cost of the telephone service is not comparable to the handling of the ordinary commodity used in commerce where the cost of handling the commodity decreases with the number of units handled. The more telephone subscribers there are connected with an exchange, the greater are the facilities at the command of any one subscriber, and consequently the greater is the investment, the cost of operation and the cost of maintenance per station. The present population of Oklahoma City is estimated at from 95,000 to 105,000, and the number of stations in service has increased about 200 per cent. It cannot, therefore, be presumed that rates applicable to a city of 60,000 population can still prevail.

Moreover, it is a matter of common knowledge that the expenses of maintaining and operating utilities have, in the

last two or three years and still are, gradually increased. Reports filed with the Commission by the various telephone companies of the State show that the cost of labor in the past four years has increased in the neighborhood of 35 per cent., and that the cost of material for the same period has increased about 76.5 per cent., or that the average cost of material and labor, on the proportion of the amount expended for these two items, has increased approximately 50 per cent.

The Commission finds that the rates now in effect in Oklahoma City are insufficient to allow an adequate return on the investment of the company's plant, and that the following rates are not unreasonable.

Wherefore, the premises considered, the Commission being advised,

It is, therefore, ordered, That the Southwestern Bell Telephone Company shall be permitted to install at Oklahoma City, effective November 1, 1918, the following schedule of rates, to-wit:

<i>Business:</i>	<i>Per Month</i>
Individual line (flat rate).....	\$6 00
Individual line (measured rate, 80 outward calls per month; excess calls 3 cents each. In calls unlimited).....	4 00
Extension	1 00
Joint user	1 00
Extra name service.....	50
Toll terminal	1 00
<i>Residence:</i>	
Individual line (flat rate).....	2 75
Two-party line (flat rate).....	2 50
Individual line (measured rate, 60 outward calls per month; excess calls 2 cents each. In calls unlimited).....	2 00
Extension	75
Joint user	50
Extra name service.....	25

Individual and party line rates above apply to telephone located within one mile, air line, of 3d Street and Broadway. For telephones located within exchange area, more than one mile, air line, from 3d Street and Broadway, a charge of 25 cents for each additional $\frac{1}{2}$ mile, or fraction thereof, shall be made, and a charge of 15 cents for each additional $\frac{1}{2}$ mile, or fraction thereof, for party line.

L. 84]

Private Branch Exchange Service:

Switchboard, cordless, equipped for less than 10 lines, including operator's set	\$2 00
Switchboard, cord or cordless, equipped for 10 stations, operator's set, etc.....	3 00
Each additional 5 lines or fractional part thereof.....	25
Trunks (both-way)	6 00
Business stations (in same building as switchboard).....	1 00
Residence stations (in same building as switchboard).....	25

Rural Service Stations:

Business	1 50
Residence	1 00

With a minimum of \$10.00 and a maximum of \$20.00 for any one line, per month.

Measured service public pay station telephones may be located and maintained at such places as the telephone company may select and arrange for; and any telephone subscriber may secure the location of a public pay station by providing a suitable location for same, at a rate of 5 cents per call, and by guaranteeing to the telephone company monthly receipts of at least \$4.00 per month.

Definition of Joint User: The person, firm, or corporation who shares the subscriber's service under a specific contract and in accordance with tariff provisions but who would not otherwise be entitled to joint use (see directory listing).

Definition of Directory Listing: An additional listing of a person or firm for whom the subscriber has contracted for joint user's service.

On the basis of the foregoing rates and the number of stations in service June 1, 1918, the Commission estimates the revenue to be derived by the company at \$568,445, this, less expenditures of \$402,296, will yield an income of \$166,149, about 10.6 per cent. upon the company's lowest estimate of investment in plant; deducting allowance for depreciation will afford about 4 per cent. for interest on the amount of the investment in physical property devoted to public service. This could not be considered to be excessive.

It is further ordered, That the company shall file with the Commission each month, for the preceding month, a detailed statement of revenues, expenditures, and addi-

tions and betterments to plant for the Oklahoma City exchange, with complete details as to all methods and formula by which such facts and figures desired hereunder are developed, together with all other information which the Commission may request at any time, relating to the property or traffic involved in this application.

This order shall remain in full force and effect, until conditions necessitate a change thereof, and until further order of this Commission.

Done at Oklahoma City, Oklahoma, in the regular order of business, this the eighteenth day of October, 1918.

OREGON.

Public Service Commission.

In re APPLICATION OF LEBANON MUTUAL TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

U-F-224 — Order No. 423.

Decided August 29, 1918.

Increase in Rates, War Conditions Considered, Authorized — Approximately 5 Per Cent. Fixed for Reserve for Depreciation — Elimination of Payment of Rental to Subscribers Owning Instruments Approved, Provided Company Purchases Instruments.

FINDINGS AND ORDER.

This application was presented to the Commission on May 6, 1918, and after due notice was fully heard and submitted at the city hall, Lebanon, Oregon, on the twenty-third day of July, 1918, with the following appearances entered: For Lebanon Mutual Telephone Company, *O. F. Cosper*, president and manager; for the city council of Lebanon, *N. M. Newport*, city attorney.

In its application the Lebanon Mutual Telephone Company asks for increase in rates as shown by the following comparison:

PRESENT RATES.

Filed in Tariff O. R. C. No. 1, Effective March 1, 1912.

<i>Business Service:</i>	<i>Per Month</i>
One-party line	\$2 50
Two-party line	1 75
Four-party line	1 50
Extensions	1 00
 <i>Residence Service:</i>	
One-party line	2 00
Two-party line	1 25
Ten-party line	1 00
Extensions	50

Where the instrument is furnished by the subscriber the company allows a monthly rental of 25 cents for the use of same.

Switching rates for subscribers on farmer lines where lines and equipment are owned and maintained by the subscribers are 30 cents per month.

No discounts are given on these rates.

Filed in Supplement No. 1 to O. R. C. No. 1, Effective June 6, 1917.

Local city, non-subscriber calls, each.....	5 cents
Farm line, non-subscriber calls, each.....	10 cents

RATES PROPOSED BY COMPANY.

	<i>Desk Set</i> <i>Per Month</i>	<i>Wall Set</i> <i>Per Month</i>
<i>Business Service:</i>		
One-party line	\$2 75	\$2 50
Two-party line	2 25	2 00
Four-party line	1 75	1 50
Extensions	1 25	1 00
<i>Residence Service:</i>		
One-party line	2 25	2 00
Two-party line	1 75	1 50
Four-party line	1 50	1 25
Ten-party line	1 25	1 00
Extensions	75	50
Service to lodges, one-party line.....	2 25	2 00
Suburban service, lines owned by utility.....		1 00
Extension bells, ordinary.....		25
Extension bells, loud ringing.....		50

Farmer line switching, payable semi-annually in advance
in January and July with a discount of 50 cents per
annum if paid during same months..... \$5 00 per year

Farmer lines to consist of not less than six subscribers with minimum
payment for this service made on that basis.

No provision to be made for ownership of telephone instruments by
the subscriber.

This proposed schedule makes no very material increases
in the rates now filed, the principal features being the
establishment of a 25-cent per month additional charge for
desk type instruments; an increase of 25 cents per month
in the two-party business service rate; and an increase in
the net rate for farmer line switching service of 7½ cents
per month.

In support of its request the applicant alleges that the
present cost of operation, owing to advance in price of all
materials and supplies, increased wages of employees and
shorter hours during which employees may be engaged, is
greatly in excess of that at the time the present rates were
placed in effect, and that the present rates have not been

C. L. 84]

sufficient to provide a reserve for depreciation or to pay a dividend to the stockholders.

An examination of the record shows that the applicant herein is a corporation organized in 1912 and existing by virtue of the laws of the State of Oregon. It is engaged in the ownership, management, control and operation of a system of lines and equipment for the conveyance of telephone messages in the city of Lebanon and immediate vicinity, and in such occupation is a public utility subject to the jurisdiction of the Public Service Commission of Oregon and to the provisions of Chapter 279 of the Laws of Oregon for 1911 and such laws as have been enacted amendatory thereof and supplemental thereto. At the date of its organization the applicant absorbed the business of The Pacific Telephone and Telegraph Company and that of a mutual company which then occupied, in competition, the field now supplied by the Lebanon Mutual Telephone Company. In the transfer of property to the new organization the members of the former mutual company, as consideration for the certain property and sundry rights and privileges held by them as members of the old company, were given stock in the present organization. Other stock has from time to time been issued for a cash consideration and the proceeds therefrom used in the purchase or construction of additions to the property. The total amount of stock authorized is \$5,000, and the amount issued and outstanding at the date of hearing was \$4,105, all having been issued for cash or its equivalent, and the proceeds as far as can be determined devoted to the purchase or construction of portions of the existing property. The other indebtedness consists of two notes, one a mortgage note for \$1,000 drawing interest at 7 per cent. per annum, and the other a demand note for \$500 drawing 8 per cent. interest. The books of the company and the record herein do not disclose the original cost of the system and no finding thereon will be made.

The reproduction cost of the property in new and usable condition under normal circumstances, such as might have

been encountered in its construction, we find from the record to have been July 1, 1918, the sum of \$17,600, including allowance for necessary working capital to properly carry on the business and a consideration of the property as a going concern. This value less the amount of depreciation accrued from age, use, obsolescence and inadequacy, amounted on that date to \$14,750.

For the year ended June 30, 1918, the revenue of the company obtained under the present rates from 71 city business, 225 residence and 500 farmer subscribers was \$5,737.43. The commissions on long distance business amounted to \$814.28. Revenue from labor sold amounted to \$9.50, the total revenue charged during the year being \$6,561.21. Expenses during the period above noted were as follows:

General office salaries (manager and secretary).....	\$2,100 00
Operators' wages	1,892 00
Repairs and maintenance.....	804 88
Other traffic expenses.....	176 68
Other general expenses.....	1,268 52
Taxes	177 76
Interest on outstanding indebtedness.....	186 34

Included in these amounts is \$275 disclosed as a portion of fee paid to an engineer for an evaluation of the property. This amount may be considered as an abnormal expense and not liable to recur. On the other hand it is apparent that such a reduction will be offset during the coming months by materially increased cost of operation due to the necessity for payment of higher wages to operators and other labor.

There must also be considered as an actual expense not heretofore fully met by the company, the accruing depreciation upon the property. Conditions surrounding this particular case indicate that there should be reserved annually approximately \$900 to insure protection for the investment already made, and also maintenance of the system in condition to render adequate service. Such a sum should be reserved yearly and expended as contemplated by the

J. L. 84]

Public Utility Law of this State. Some expenditure for this purpose has undoubtedly been in the past charged against operations in the current expense accounts, but such charges cannot be considered as sufficient to meet the ultimate necessity for reconstruction and replacement of the existing equipment.

With the necessary adjustments made for these items and for such increases as are to be expected in revenues from both local exchange and long distance business, it appears that revenue obtainable from present rates and patronage will not be sufficient to properly operate the business and maintain the system even with no consideration being given to the payment of dividends.

Upon the basis of the foregoing findings, the present rates of the Lebanon Mutual Telephone Company are found to be unreasonable insofar as they conflict with those hereinafter determined as reasonable for the service of the company.

The rates proposed by the company will not, under the conditions to be met in the near future, produce revenue in excess of that required to fairly meet reasonable and necessary expenses, taxes, depreciation and fixed charges. Any return available for dividends will be necessarily small and not such as investors in such projects might be reasonably entitled to expect. In view of these circumstances, the rates proposed by the company, modified to provide extension desk telephones for business service at \$1.00 per month and loud ringing extension bells at 35 cents per month, inasmuch as they produce no unfair discrimination between individual subscribers or classes of subscribers and compare favorably with the rates for like service in other communities similarly situated, are not unreasonable.

The proposal of the company to eliminate the rental allowance to subscribers owning their own instruments the Commission believes is a practical step toward the establishment of standard and efficient service, and it will be authorized, upon condition that the company in every case where an instrument in use upon its lines is owned by the

subscriber, shall purchase the instrument at a fair price to be determined by a consideration of the type of instrument, its physical and service condition, and its adaptation to use in the service to be given by the company.

Upon consideration of the foregoing findings, the entire record and all facts pertinent to this proceeding,

It is, therefore, ordered, That the Lebanon Mutual Telephone Company be, and the same hereby is, authorized to discontinue its present rates and practices hereinbefore found to be unreasonable, and to substitute in lieu thereof, under the conditions and with the modifications hereinbefore defined, the rates and practices submitted in its application, and

It is further ordered, That immediately upon its acceptance of the provisions hereof, the Lebanon Mutual Telephone Company shall file, according to law and the rules of this Commission, a tariff or tariffs setting forth the rates, rules and regulations to be established and maintained for its service.

A reasonable date for this order to become effective is September 1, 1918.

Dated at Salem, Oregon, this twenty-ninth day of August, 1918.

In re APPLICATION OF NEWBERG TELEPHONE COMPANY FOR
READJUSTMENT OF RATE FOR PORTABLE OR DESK TELE-
PHONES.

U-F-217 — Order No. 431.

Decided September 9, 1918.

**Increase in Rates for Installation and Maintenance of Desk Sets Author-
ized — Classification Approved.**

FINDINGS AND ORDER.

This is an application brought by the Newberg Telephone Company for authority to readjust its rate charged for portable or desk telephones. This matter came on regularly for hearing before the Commission at the city hall in New-

C. L. 84]

berg, Oregon, on Tuesday the eighteenth day of June, 1918, at the hour of 9:30 A. M. at which time and place testimony was taken hereon, applicant company appearing by *E. E. Goff*, its secretary and manager.

At the present time the applicant's rates regularly call for wall sets, with a nominal additional charge of \$1.00 at the time of the installation if the subscriber desires a desk set or portable instrument. This charge originally was designed to cover the additional cost of installing and maintaining such portable set. The company alleges that since the establishment of this charge experience has shown that the rate is insufficient and requires adjustment. Because of their convenience, many portable telephones are now in use in this community for residence as well as commercial service. Out of a total of approximately 500 'phones the applicant now has installed in the neighborhood of 110 portable sets, and the proportion of desk to wall 'phones is rapidly increasing.

It is an established fact that the cost of an installed desk or portable set and the maintenance expense attached thereto is sufficiently in excess of that for the ordinary wall type instrument to justify a distinction in the service rates for the two types of equipment. The justification for such distinction need not be explained further than to state that the very characteristic which gives the portable instrument its attraction to users gives rise to increased maintenance expense on account of parts broken from falls, worn cords, etc., not encountered in the use of ordinary equipment. Because of these facts the applicant claims that this service is becoming burdensome and that an extra charge of 25 cents per month should be allowed for these instruments.

The rate of 25 cents per month requested by the applicant is the standard additional charge in common use by other telephone companies throughout this and other states, for this type of equipment, and does not seem to be unreasonable in this instance.

From a consideration of the foregoing matters and of the entire record before it, the Commission is of the opinion, and finds, that the application herein should be allowed.

It is, therefore, ordered, That the application herein be, and it hereby is, allowed, and the applicant company permitted to charge, impose and collect for the furnishing of portable or desk telephones, in lieu of the nominal charge of \$1.00 now collected upon installation, a rate of 25 cents per month in addition to the regular monthly party exchange service rate.

In order that no undue burden may be imposed upon subscribers now using desk type installations, the company will be permitted to credit such subscribers, who have paid for such installations within the six months last preceding the date of this order, with the additional charges made against them for the service.

Dated at Salem, Oregon, this ninth day of September, 1918.

In re APPLICATION OF CLATSKANIE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-F-213 — Order No. 434.

Decided September 10, 1918.

**Increase in Rates, War Conditions Considered, Authorized — Owners
Held Responsible for Expense of Putting Property in Good Con-
dition Having Failed to Maintain Reserve for Depre-
ciation — 8 Per Cent. Fixed for Reserve for
Depreciation.**

FINDINGS AND ORDER.

This proceeding is before the Commission upon the application of the Clatskanie Telephone Company for authority to advance its rates, in support of which it is alleged that the income is not sufficient to properly maintain the service.

The case was fully heard and submitted at the city hall

C. L. 84]

of Clatskanie, on June 19, 1918, with the following appearances of record: For Clatskanie Telephone Company, *W. A. Hall*, manager; for city council of Clatskanie, *George B. Conyers*, city recorder, (unofficial).

The Clatskanie Telephone Company is the firm name and style under which *W. A. Hall* and *J. L. Wooden*, in partnership, own, manage, control and operate in the town of Clatskanie and vicinity, a system of wires and equipment for the conveyance of telephone messages. In such occupation the organization is a public utility subject to the jurisdiction of this Commission and to the provisions of Chapter 279 of the Laws of Oregon for 1911, and of laws enacted amendatory thereof and supplemental thereto.

The property of the company consists of a system of lines in the town of Clatskanie, and in certain rural districts adjacent thereto, and a central exchange office in Clatskanie through which service is given to subscribers upon the company's lines, and connection is had with the lines of The Pacific Telephone and Telegraph Company, the Quincy-Mayger Telephone Company, and the Nehalem Mutual Telephone Company.

The original cost of the property is not available from the record nor from the books of the company which are kept according to no definite classification of accounts. From investigations conducted by the engineering department of the Commission, however, it appears that on the nineteenth day of June, 1918, the reproduction cost new of the physical items of a like system in new and usable condition under normal circumstances would have been \$8,251 and that this amount less the depreciation accrued from all causes was at that time \$5,505. These amounts include no allowance for working capital reasonably required in the conduct of the business or for the existence of the property as a going concern with developed business attached.

At the date of hearing the patronage and exchange revenue of the company were as follows:

<i>Class of Service:</i>	<i>Number</i>	<i>Monthly Rate</i>
Private lines	2	\$2 00
Business party lines.....	27	1 50
Residence party lines.....	95	1 00
Rural party lines.....	44	1 50
Rural special	4	1 00
Local line switching.....	13	50
Farmer line switching.....	167	25
Free 'phones to partners in company.....	3	....
Kerry Timber Company line.....	1	5 00

Analysis of the results of operation for the five-months' period ended May 31, 1918, shows that the total revenues from all sources, including gross charges for long distance service over the lines of The Pacific Telephone and Telegraph Company, with attached war taxes collected thereon, were approximately \$2,675. This amount used as a basis for estimating the normal earnings for a year produces an annual gross revenue of \$6,420.

Analysis of the expenses for the same period show a total outgo of \$3,053.07, including payment to The Pacific Telephone and Telegraph Company of its share in long distance service charges collected, the war tax on such long distance messages, the half-year's taxes, certain expenditures for additions to capital, and an amount of \$511.95 taken out of the business as profit by the partners. The total expense for this period reduced by excluding the above-named items and used as a basis for calculation of normal results produces an estimated annual expense of \$5,400. This amount includes taxes but no reserve for depreciation, nor an allowance for dividends, or profit to the owners of the company.

After the reservation of \$600, which it has been determined should be set aside as an annual depreciation allowance to preserve the investment and continue the property in serviceable condition, an annual net operating income of \$420 would be available under the assumption that conditions prevailing during the period prior to May 31, 1918, will continue.

C. L. 84]

While investigation shows that the above amounts include no abnormal or unreasonable expenditures it is now known that certain advances must be met if the utility is to continue operations and give the quality of service which subscribers have the right to expect of it. These items for the year are as follows:

Increase in operators' wages to conform to orders of Industrial Welfare Commission	\$240 00
Increase in manager's salary, \$25.00 to \$50.00 per month....	300 00
Increase in bookkeeper's salary, \$10.00 to \$25.00 per month.	180 00
Additional labor for operation and maintenance of lines (estimated)	150 00
Rent not included above.....	30 00
Water not included above.....	12 00
TOTAL INCREASE PER YEAR.....	\$912 00

These items in our opinion are in no way unreasonable nor in excess of reasonable requirements which must be met if the company is to be enabled to serve the public adequately and without undue sacrifice. A consideration of these advances as actual expenses to be met in the future reduces the operating income of \$420, determined above, to an operating loss of \$492, which it will be impossible to meet with present rates, and in which no consideration is given to profit for the investors.

The Commission is convinced that the utility, to maintain its property and meet the pressure of increased costs in both labor and material arising from present war conditions, is entitled to the cooperation of its subscribers by the payment of advanced rates, so long as such rates are in themselves reasonable; and for such increased charges the subscribers are equally entitled to receive from the utility the first class service which it shall be expected to maintain after receiving such relief as is herein granted.

It has been the custom in the past for the partners in this business to draw out all surplus income as dividends without reserving any allowance to meet accruing depreciation upon the property. Although the records do not disclose the exact extent of such withdrawals, indications are that

[Ore.

the amount has been a considerable one. Testimony shows that portions of the property are in such condition as to require immediate extensive reconstruction, and the company has included necessary labor for such reconstruction as a part of its operating expenses in support of the application for increased rates. In view of the fact, already disclosed, that no funds have been reserved to cover this accruing liability, although dividends have been withdrawn regularly and in considerable amount, we are inclined to believe that the takers of these profits should ultimately be held responsible for a great portion of the expense necessary to replace the property in the condition that should obtain to insure proper service. The Commission will allow the inclusion of no such expense in its estimates, except as it may be affected by the regular items included for annual depreciation reserve and current maintenance.

In connection with such responsibility on the part of the owners and when such improvements are completed and in view of all the evidence submitted and conditions noted, we believe the value in this property upon which the investors may be reasonably entitled to expect a return is \$7,500.

The applicant now has in effect the following rates:

	<i>Per Month</i>
Private lines	\$2 00
Four-party or more business service.....	1 50
Two-party residence service.....	1 50
Six- or more party.....	1 00
Residence service outside the city.....	1 50
Kerry Logging Company service.....	5 00

The schedule which it desires to put in effect is as follows:

	<i>Per Month</i>
Business service, one-party.....	\$2 50
Business service, two- or more party.....	2 00
Residence service, one-party.....	2 00
Residence service, two- or more party.....	1 50
Rural service	1 50
Switching city 'phones.....	1 00
	<i>Per Year</i>
Switching rural 'phones,	\$5 00

C. L. 84]

The rates proposed by the company are such as to produce, according to the record, a monthly increase in revenue of about \$92.50, or \$1,100 per year, and if allowed, would under the assumed conditions produce, in addition to all reasonable expenses, taxes and depreciation, a very attractive return upon the value heretofore attached to the property.

By comparison with rates for similar service under like conditions in other communities, the proposed schedule does not appear in general to be unreasonable. Certain modifications are, however, necessary to make it conform to standard practice and to eliminate the possibility of unjust discrimination between individual subscribers and classes of subscribers. After consideration of all findings hereinbefore made, and local conditions affecting the operations of the applicant, the following schedule of rates is found to be just, reasonable and not unjustly discriminatory:

	<i>Per Month</i>
Business service, individual line.....	\$2 50
Business service, two-party line.....	2 00
Business service, four-party line.....	1 75
Residence service, individual line.....	2 00
Residence service, two-party line.....	1 50
Residence service, four-party line.....	1 25
Rural service, company-owned party lines.....	1 50
Switching city subscribers on connecting lines.....	1 00
	<i>Per Year</i>
Switching rural subscribers on connecting lines.....	\$5 00

While these rates will not yield as large a return upon the value of the property as those proposed by the applicant, it is believed that they are reasonably commensurate with the value of the service which can be rendered by the applicant, that the revenue therefrom will provide sufficient funds to amply meet all reasonable expense of operation, maintenance, depreciation and taxes, and that the return available to the investors will be as reasonable as they may expect to obtain from such a property in view of the

responsibility which they have for bearing with the patrons of the company a fair share of the burdens arising from present abnormal war conditions.

After a full consideration of the entire record in the case, the findings hereinbefore made and all other pertinent facts,

It is, therefore, ordered, That the applicant Clatskanie Telephone Company, upon the condition that it will give good and adequate service to its patrons at all times, and within a reasonable period after the date hereof submit satisfactory showing that it has repaired and placed its lines and equipment in such condition as to insure continuity of such reasonable service, be, and the same hereby is, authorized to discontinue its present rates and practices insofar as they may conflict with those hereinbefore found to be reasonable, and to substitute in lieu thereof the rates and practices so found to be just, reasonable, and not unjustly discriminatory.

Such rates and charges so substituted shall apply as maximum rates and charges for the service specified. Nothing herein contained shall be construed as preventing the utility, after proper publication and filing of tariffs as provided by law and the rules of the Commission, from reducing any rate or charge hereinbefore found to be just and reasonable, or from filing other rates for additional classes of service not specifically designated, reducing any rate or charge hereinbefore found to be just and reasonable, *provided*, however, that such reduction will result in no unjust discrimination as between individuals or classes of service.

And it is further ordered, That the Clatskanie Telephone Company shall set aside each year in a reserve fund the amount herein fixed as an allowance for depreciation or such moneys as may be available for that purpose prior to the payment of dividends, and shall expend said money only as provided by Chapter 279, Laws of Oregon for 1911,

And it is further ordered, That immediately upon acceptance of this order the applicant shall file according to law

C. L. 84]

and the rules of this Commission a tariff or tariffs setting forth the rates, rules and regulations, not conflicting with those herein provided, to be established and maintained in connection with the service of this company.

A reasonable date for this order to become effective is the first day of October, 1918.

Dated at Salem, Oregon, this tenth day of September, 1918.

PENNSYLVANIA.

The Public Service Commission.

**H. G. ANDREWS v. THE BELL TELEPHONE COMPANY OF
PENNSYLVANIA.**

Complaint Docket No. 2064.

Decided October 22, 1918.

**Complaint against Installation and Moving Charges Dismissed, in View
of Federal Control.**

REPORT.

This complaint relates to the charges made by respondent under its filed tariff for the installation and moving of telephones.

Since the complaint was filed an Act of Congress has been passed, as a war measure, under which the operation of the respondent company is now in the control of the Federal authorities.

The Postmaster General by General Order No. 1931, amended by Bulletin No. 8, prescribed rates for such service largely in excess of those complained against, and which, if permitted to stand, would make a decision in the present case largely academic.

Without reaching a conclusion with respect to the merits of the complaint, we are of the opinion, in view of the order of the Postmaster General, that the question involved may well await the termination of the war and the return of pre-war conditions. The complaint should, therefore, be dismissed, with leave to renew the same at a later period, and it will be so ordered.

ORDER.

This matter being before the Commission upon complaint and answer on file, and having been duly heard and sub-

C. L. 84]

mitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having, on the date hereof, made and filed of record a report containing its findings of fact and conclusions thereon, which said report is hereby approved and made a part hereof;

Now, to-wit, October 22, 1918,

It is ordered, That the complaint in this case be, and the same hereby is, dismissed, with leave to renew the same at a later period.

WISCONSIN.

Railroad Commission.

**LANCASTER LIGHT AND POWER COMPANY v. PLATTEVILLE,
REWEY AND ELLENBORO TELEPHONE COMPANY.**

Decided September 28, 1918.

**Cost of Work Necessary to Prevent Inductive Interference Between
Telephone Line and Electric Transmission Line Apportioned.**

OPINION AND DECISION.

Under date of April 24, 1917, an order* was entered in the above-entitled matter requiring the Platteville, Rewey and Ellenboro Telephone Company to perform certain work necessary to avoid unreasonable interference between its lines and the transmission lines of the Lancaster Light and Power Company, and apportioning the cost of said work. Under date of September 6, 1917, a supplementary order† was entered permitting certain changes in the work and providing that the apportionment should be on the same basis as the previous order.* In that supplementary order† it was provided that upon the completion of the work the respondent should submit a statement of the cost actually incurred by it to the petitioner and to the Commission, and that if the petitioner should be unwilling to settle on the basis of this statement the Commission would check the same and determine the amount to be paid by the petitioner to the respondent for the work so performed. The respondent has submitted such a statement and the petitioner has objected to the same and submitted what it regards as a proper charge. It therefore becomes necessary for the Commission to determine the amount to be paid. A careful check has been made of the expenditures in conference with the interested parties, and it is believed that the sum of

* See Commission Leaflet No. 66. p. 1636.

† See Commission Leaflet No. 71, p. 1245.

(C. L. 84]

\$998.90 is an equitable charge for the work performed by the respondent contemplated by the Commission's order.

We therefore find, and it is hereby determined, that the actual cost of the work performed by the Platteville, Rewey and Ellenboro Telephone Company pursuant to the order herein and apportionable to the Lancaster Light and Power Company is \$998.90, and the Platteville, Rewey and Ellenboro Telephone Company is hereby authorized to bill upon said Lancaster Light and Power Company for the sum of \$998.90.

Dated at Madison, Wisconsin, this twenty-eighth day of September, 1918.

In re APPLICATION OF RICHLAND TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-939.

Decided September 30, 1918.

**Increase in Rates Authorized — 8 Per Cent. Fixed as Rate of Return —
2 Per Cent. on Sinking Fund Basis Fixed for Reserve for Depreciation —
Apportionment of Various Items of Expense Considered — Deficit from Toll Service Assessed to Local
Subscribers under Present Conditions.**

The company sought authority to increase its exchange and switching rates approximately 50 cents per month on all classes of service, the present rates ranging from \$1.00 to \$1.75 per month. The Commission's engineers found the reproduction cost of the property, including 12 per cent. for overhead, was \$37,369. Operations during 1917, after making allowance for reserve for depreciation, resulted in a gross income of \$446.07, and the estimated expenses for the company year, including 8 per cent. as a rate of return, and a reserve for depreciation, will amount to \$20.52 per telephone and \$6.11 per switched subscriber.

Held: That a switching charge of \$6.00 per year, instead of the present rate of \$3.00 per year, should be authorized, and since the proposed rates will yield the average rate per subscriber of \$20.52 required, said rates should be authorized to be put into effect;

That the rate of return should be computed at 8 per cent. upon the cost of reproduction as found by the Commission's engineers, and reserve for depreciation should be computed on the reproduction cost on a 2 per cent. sinking fund basis, using standard life tables for the various property divisions;

That in apportioning the various items of expense to the various classes of service, such items as rent, light, heat, water, etc., should be broken up and the results apportioned under different bases. Rent should be divided on the basis of (a) weighted traffic, as to the space occupied by operators, (b) lines, as to the space occupied by the switchboard and terminal racks, (c) billing and direct to other utilities, as to the space occupied by the commercial departments, and (d) overhead, as to the space occupied by the general office;

That light should be apportioned upon the same basis as rent; but its distribution should be modified to meet the probable greater use made by the operating department;

That labor and maintenance expense of central office should be distributed upon various bases because of the nature of the different items of detailed expense entering into their make-up;

That the total revenues arising from toll do not cover the cost of the service by \$2,080.09. Under existing conditions the deficit arising from this service should be assessed to exchange subscribers, and the amount apportioned to long distance and local toll systems on the basis of the relative number of "out" tickets to long distance and local toll stations. The local toll portion should be distributed to local and switched service on the basis of the total originating and terminating toll calls, and the long distance portion on the basis of the "out" long distance tickets.

OPINION AND DECISION.

The petition of the Richland Telephone Company seeking authority to increase its exchange and switching rates was filed with the Commission April 12, 1918.

It is set forth in the application that the company is duly organized as a corporation and is doing business under the laws of the State; that it is a public utility with its place of business at Richland Center, Wisconsin.

The lawful rates of the applicant as now charged are as follows:

<i>Magneto Service:</i>	<i>Per Month</i>
Business telephones, one-party.....	\$1 75
Business telephones, two-party.....	1 50
Residence telephones, one-party.....	1 25
Residence telephones, two- and three-party.....	1 10
Residence telephones, suburban, four-party.....	1 10
Residence telephones, extension	50
Residence telephones, talking sets.....	25
Extension bells	15
Rural telephones on applicant's lines.....	1 00
Rural telephones on lines switched by applicant.....	25

C. L. 84]

<i>Common Battery Service:</i>	<i>Per Month</i>
Business telephones, one-party.....	\$2 00
Business telephones, two-party.....	1 75
Business telephones, extension.....	60
Residence telephones, one-party.....	1 75
Residence telephones, two-party.....	1 25
Residence telephones, desk sets, additional charge.....	10

The above rates are net, and subscribers are billed at 25 cents per month additional. This amount is discounted from the bill if paid before the fifteenth of the month in which service is given.

The applicant alleges that the revenues arising from the present schedule are inadequate to cover the operating expenses, and to provide a reasonable return on the capital invested. Permission is therefore asked for authority to increase the rates now charged and to place the following schedule in effect:

<i>Magneto Service:</i>	<i>Per Month</i>
Business telephones, one-party.....	\$2 25
Business telephones, two-party.....	2 00
Business telephones, extension.....	50
Residence telephones, one-party.....	1 50
Residence telephones, two-party.....	1 25
Residence telephones, suburban, four-party.....	1 25

<i>Common Battery Service:</i>	<i>Per Month</i>
Business telephones, one-party.....	\$2 50
Business telephones, two-party.....	2 25
Business telephones, extension.....	60
Residence telephones, one-party.....	1 75
Residence telephones, two-party.....	1 50
Residence telephones, desk sets, additional charge.....	25
Rural telephones switched by applicant.....	50
Extension telephones, complete wall sets.....	50
Extension telephones, talking sets.....	25
Extension bells	15

The above rates are net. Subscribers are to be billed at 25 cents per month additional, which will be discounted for prompt payment.

A hearing in the application was held August 9, 1918, at Madison, Wisconsin, at which time *Levi P. Bancroft*

appeared for the petitioner. There were no appearances in opposition.

The Richland Telephone Company operates an exchange in the city of Richland Center furnishing exchange service to its own subscribers, practically all of whom are within the corporate limits, and to the subscribers of several switched companies. The compilation following shows the distribution of the various subscribers and companies served by the Richland exchange.

TABLE I.
SUBSCRIBER DATA.

<i>Business:</i>	<i>Number of Subscribers</i>	<i>Per Cent. of Total</i>
Magneto		
One-party	48	.....
Two-party	58	.....
Common Battery		
One-party	16	.....
Two-party	18	.....
TOTAL BUSINESS	140	13.31
<i>Miscellaneous company 'phones</i>	7	.67
<i>Residence:</i>		
Magneto		
One-party	219	.....
Multi-party	69	.....
Common Battery		
One-party	5	.....
Multi-party	128	.....
TOTAL RESIDENCE	421	40.02
<i>Switched:</i>		
Badger Telephone Company.....	224	.....
Home Telephone Company.....	201	.....
Hoosier Telephone Company.....	21	.....
Basswood and Eagle Telephone Company.....	33	.....
Ithaca Telephone Company.....	5	.....
TOTAL SWITCHED	484	46.00
TOTAL ALL TELEPHONES	1,052	100.00

C. L. 84]

Further physical data pertaining to the applicant's plant is set forth in TABLE II. This tabulation shows the number of lines assigned at the Richland exchange switch-board and their percentage distribution to the different classes of service.

TABLE II.
LINE DATA.

	<i>Total Number of Lines</i>	<i>Per Cent. of Total Lines</i>
<i>Toll:</i>		
Bell toll	3	.59
Local toll	12	2.36
<i>Business:</i>		
Magneto	75	.....
Common battery	25	.....
TOTAL BUSINESS	100	19.68
<i>Miscellaneous company lines</i>	7	1.38
<i>Residence:</i>		
Magneto	252	.....
Common battery	81	.....
TOTAL RESIDENCE	333	65.55
TOTAL LOCAL EXCHANGE LINES	440	86.62
<i>Switched Lines:</i>		
Badger Telephone Company.....	22	.....
Home Telephone Company.....	24	.....
Hoosier Telephone Company.....	2	.....
Basswood and Eagle Telephone Company....	4	.....
Ithaca Telephone Company.....	1	.....
TOTAL SWITCHED	53	10.43
TOTAL ALL LINES	508	100.00

PROPERTY.

The cost of reproduction of the applicant's property has been estimated by the Commission's engineers, and the property division totals and their distribution to local, switched and toll services appear in TABLE III.

TABLE III.
COST REPRODUCTION.

<i>Property Item</i>	<i>Total</i>	<i>Local</i>	<i>Switched</i>	<i>Toll</i>
Poles	\$4,222	\$2,575	\$1,309	\$338
Wire support	996	558	348	90
Wire	5,443	4,518	762	163
Cable	5,046	4,642	353	51
Substations	6,577	6,577	.....	.....
Central office equipment	8,416	6,605	845	966
General	1,508	1,251	178	79
TOTAL	\$32,208	\$26,726	\$3,795	\$1,687
Add 12 per cent.*	3,865	3,208	455	202
TOTAL	\$36,073	\$29,934	\$4,250	\$1,889
Materials and supplies	1,296	1,075	153	68
	\$37,369	\$31,009	\$4,403	\$1,957

* 12 per cent. to cover superintendence, contingencies, interest during construction, etc.

INTEREST AND DEPRECIATION.

For the purpose of the case at hand, interest has been computed at 8 per cent. upon the cost of reproduction, as stated above, and depreciation of the reproduction cost on a 2 per cent. sinking fund basis, using standard life tables for the various property divisions. Totals for these items are included in TABLE X.

INCOME ACCOUNT.

TABLE IV. shows the total revenues and expenses of the applicant as reported to the Commission in the annual reports for years 1913 to 1917, inclusive:

TABLE IV.
INCOME ACCOUNTS—FOR PERIODS ENDING

	Dec. 31, 1917	Dec. 31, 1916		Dec. 31, 1915	18 Months Ending Dec. 31, 1914	June 30, 1913
<i>Revenues:</i>			<i>Revenues:</i>			
Exchange revenues.....	\$10,723 08	\$10,157 02	Exchange.....	\$9,494 52	\$16,040 70	\$10,473 55
Toll revenues.....	1,123 17	568 57	Connecting line earnings..	555 77	664 75	410 70
Miscellaneous revenues.....	74 82	53 46	Other revenues.....	1,410 65	1,241 55	963 97
	\$11,921 07	\$10,779 05		\$11,460 94	\$17,947 00	\$11,848 22
				11,964 67 (Prorate for year)		
<i>Expenses:</i>			<i>Expenses:</i>			
Repairs to wire plant.....	\$822 59	\$1,001 58	Central office.....	\$4,558 48	\$6,338 56	\$4,706 27
Repairs to equipment.....	406 32	298 92	Wire plant.....	1,022 25	1,831 76	1,521 68
Station removals and changes..	73 42		Substation.....	231 50	726 81	635 50
Other miscellaneous expenses..	183 66		Commercial.....	149 99	346 59	274 88
Operators' wages.....	3,317 80	3,958 05	General.....	1,706 40	2,559 72	1,606 84
Other traffic expense.....	114 54	332 06	Undistributed.....	305 71	372 56	216 85
General office salaries.....	1,822 60	2,250 20				
Other general expense.....	1,160 33	649 29				
	\$7,901 26	\$8,490 10		\$7,974 33	\$12,176 00	\$8,961 52
					8,117 34 (Prorate for year)	
TOTAL ABOVE EXPENSES.....						

TABLE IV—Continued.
INCOME ACCOUNTS — FOR PERIODS ENDING

	Dec. 31, 1917	Dec. 31, 1918		Dec. 31, 1918	Dec. 31, 1915	18 Months Ending Dec. 31, 1914	June 30, 1915
Depreciation set up	\$3,230 28	\$3,637 73	Depreciation set up		No provision		\$237 09
Taxes	283 06	339 21			\$358 23	\$283 25	
TOTAL OPERATING EXPENSES	\$11,474 60	\$12,467 04			\$8,332 56	\$12,459 25 8,308 17 (Prorate for year)	\$9,258 61
Net income or deficit	446 47	*1,687 99			3,128 38	5,487 75 134 19	2,589 61
Miscellaneous income		316 08			41 63		95 70
Gross income	446 47	*31,371 91			\$3,170 01	\$5,621 94 3,747 96 (Prorate for year)	\$2,685 31

* Deficit.

C. L. 84]

The operating expenses actually used in the following computations for determining the necessary revenues for the various classes of service were prorated for a year on the basis of the expense for the first seven months of the year 1918. Inasmuch as the expenses so estimated are approximately 23 per cent. in excess of those for the year 1917, no estimates have been made for increases in labor and materials, as we believe this estimate is ample to cover such necessary increases. The detail of the estimated yearly expense as used in the following computations is set forth in the table on the following page:

TABLE V.
DETAIL OF OPERATING EXPENSES.

*Yearly Estimate
Based Upon 7
Months Ending
July 31, 1917*

I. Central Office:	
Operators' wages — local	\$2,084 71
Operators' wages — toll	1,435 27
Rent	420 00
Light	60 72
Heat	148 08
Water	25 48
Janitor	137 16
Battery and other energy.....	67 08
Labor and material — maintenance — switchboard and accessories	423 60
Buildings, fixtures and utility equipment.....	113 16
Other traffic expense.....	289 07
TOTAL CENTRAL OFFICE.....	\$5,204 33
II. Wire Plant:	
Labor	\$414 36
Material	22 80
TOTAL WIRE PLANT.....	\$437 16
III. Substation:	
Batteries	\$72 12
Materials	54 84
Labor	586 99
TOTAL SUBSTATION	\$713 95
IV. Commercial	\$880 80
V. General:	
General office salaries.....	\$1,078 72
Other expense	390 24
Material	442 80
TOTAL	\$1,911 76
VI. Undistributed	\$367 44
TOTAL OPERATING EXPENSE EXCLUSIVE OF INTEREST, DEPRECIATION AND TAXES.....	\$9,515 44

C. L. 84]

The additional data necessary for the proper distribution of operating and fixed expenses consist of a traffic study on the exchange and toll boards.

The summary of such a study on the exchange board is set forth in TABLE VI. The results therein show the percentage of message line units to the different classes and also the percentages based upon weighted traffic. We do not believe it necessary to enter into a detailed explanation of this study, as former decisions of this Commission contain ample information on the method of procedure.

TABLE VI.
TRAFFIC SUMMARY.

Classes Calling	Local			Rural			Toll Board			Ring Backs			Operators			Total Calling	
	Total Calls	Weighting Factor	Total Weighted Calls	Total Calls	Weighting Factor	Total Weighted Calls	Total Calls	Weighting Factor	Total Weighted Calls	Total Calls	Weighting Factor	Total Weighted Calls	Total Calls	Weighting Factor	Total Weighted Calls	Total Calls	Total Weighted Calls
Local.....	1,749	1.0	1,749	329	1.75	576	155	1.0	155	223	.3	67	34	1.0	34	2,490	2,581
Rural.....	357	1.5	536	510	2.25	1,148	35	1.5	53	1,105	.3	332	31	1.0	31	2,038	2,100
Toll.....	257	1.0	257	80	1.75	140	.....	.....	.....	58	.3	17	2	1.0	2	387	416
Total originating.....	2,363	.....	2,542	919	.....	1,894	190	.....	208	1,386	.....	416	67	.....	67	4,925	5,097
Total terminating.....	.....	.....	2,581	.....	.....	2,100	.....	.....	416	.....	.....	.....	.....	.....	.....	.....	5,097
Ring backs.....	67	.....	67	.....	.....	332	.....	.....	17	.....	.....	.....	.....	.....	.....	.....	.....
Operators.....	34	.....	34	31	.....	31	2	.....	2	.....	.....	.....	.....	.....	.....	.....	.....
TOTAL.....	2,397	.....	5,224	950	.....	4,327	192	.....	643	.....	.....	.....	.....	.....	.....	*3,539	10,194
Per cent.....	67.73	.....	51.25	28.84	.....	42.45	5.43	.....	6.30	.....	.....	.....	.....	.....	.....	.....	.....

* Total originating calls less ring backs.

C. L. 84]

TABLES VII. and VIII. show a summary traffic on the toll board for "in" ticket traffic and "out" ticket traffic, respectively. Computations have been made and the results entered at the end of the table to show the calls per ticket. It is to be noted that the calls per ticket are determined on the total of the originating and terminating calls and not on the sum of the originating calls.

TABLE VII.
TOLL TRAFFIC SUMMARY, "IN" TICKETS.

	Operator	Bell Trunks 1-2-3	Ithaca Trunk 4	Bloom City Trunk 6	Boas Trunk 7	Boas Trunk 8	Lone Rock Trunk 9	Lone Rock Trunk 10	Muscodas Trunk 11	Sylvan Trunk 13	Viola Trunk 14	Hub City Trunk 15	Lime Ridge Trunk 16	Trunk 20	Total
Operator	46	36	29	16	2	6	2	1	17		1		1	8	119
Bell Trunks 1-2-3	20	3	1		1	1									52
Ithaca Trunk 4	18	3							1						24
Bloom City Trunk 6	10		1					1	4				2		18
Boas Trunk 7	3														18
Boas Trunk 8															3
Lone Rock Trunk 9															
Lone Rock Trunk 10	28					1			1						30
Muscodas Trunk 11	6				2	1				2					11
Sylvan Trunk 13	12								2						14
Viola Trunk 14	12								1						13
Hub City Trunk 15	6			1											7
Lime Ridge Trunk 16			1												1
Trunk 20	1														1
Total originating calls	162	42	32	17	5	9	2	2	26	2	1		3	8	311
Total terminating calls	119	52	24	18	18	3		30	11	14	13	7	1	1	311
TOTAL ORIGINATING AND TERMINATING CALLS	281	94	56	35	23	12	2	32	37	16	14	7	4	9	622
TOTAL IN TICKETS		32													
Calls per ticket		2.9													

C. L. 84]

TABLE VIII.
TOLL TRAFFIC SUMMARY, "OUT" TICKETS

	Operator	Bell Trunk 4	Ithaca Trunk 4	Bloom City Trunk 6	Boas Trunk 7	Boas Trunk 8	Lone Rock Trunk 9	Lone Rock Trunk 10	Muscodas Trunk 11	Sylvan Trunk 13	Viola Trunk 14	Hub City Trunk 15	Lime Ridge Trunk 16	Trunk 20	Total Terminating
Operator	68	97	30	20	17	9		10	14	8	8	6	1	6	226
Bell Trunks 1-2-3		2	1	6	1										72
Ithaca Trunk 4	18	1													19
Bloom City Trunk 6	23														1
Boas Trunk 7	7														23
Boas Trunk 8															7
Lone Rock Trunk 9															
Lone Rock Trunk 10	1														1
Muscodas Trunk 11	25														25
Sylvan Trunk 13	10														10
Viola Trunk 14	18														18
Hub City Trunk 15	3														3
Lime Ridge Trunk 16															
Trunk 20	7														7
Total originating calls	181	100	31	*20	18	9		10	14	8	8	6	1	6	412
Total terminating calls	226	72	19	1	23	7		1	25	10	13	3		7	412
TOTAL ORIGINATING AND TERMINATING	407	172	50	21	41	16		11	39	18	26	9	1	13	824
Number "out" tickets		30	19	16	13		6		5	6	10	4	1		
Calls per ticket		5.7	2.1	1.3	3.7		1.8		7.8	3.0	2.6	2.3	1.0		
Average calls per ticket local toll															2.8

* A slight error is apparent.

It may be interesting to note the connection with the toll board operation that there were 311 originating calls on the " in " tickets and 412 on the " out " tickets, making a total of 723 originating calls handled by the toll operators. The total operator hours involved approximate 18.5. From this we determine an average of 39.1 originating calls per operator hour.

DISTRIBUTION OF EXPENSES.

The various expense items as set forth in TABLE V. appear again in the first column of TABLE IX. The remainder of the TABLE sets forth the bases of apportionment and the amount of each item that is to be distributed to the various classes of service under any particular basis. The bases upon which certain items as operators' salaries and commercial expense are to be distributed is self-evident. On the other hand, items such as rent, light, heat, water, etc., have been broken up and the results apportioned under different bases. Rent, for example, is divided on,

- (a) Weighted traffic, on the basis of the space occupied by operators,
- (b) Lines, on the space occupied by the switchboard and terminal racks,
- (c) Billing and direct to other utilities, on the space occupied by the commercial departments, and
- (d) Overhead, on the space occupied by the general office.

Similar reasoning has been followed in distributing the other items of expense incident to central office. In all cases due consideration has been given to the local conditions affecting the situation and adjustments made to meet these conditions. For instance, light is apportioned upon the same basis as rent, but its distribution is modified to meet the probable greater use made by the operating department. Labor and maintenance expense of central office is distributed upon various bases because of the nature of the different items of detailed expense entering into their make up. All other items are apportioned in their entirety under the basis seeming most reasonable.

TABLE IX.
BASIS OF APPOINTMENT — OPERATING EXPENSES.

ITEM OF EXPENSE	Total	Originating Traffic	Weighted Traffic	Investment	Lines	Subscriber	Billing	Overhead	Direct to Local	Direct to Toll	Direct to Other Utilities	Direct to Pay Station
<i>Central Office:</i>												
Operators' salaries.....	\$3,519 98	.....	\$2,064 71	.....	\$39 27	.....	\$63 16	\$70 52	.....	\$1,435 27	\$62 16	\$11 76
Rent.....	430 00	.....	162 37	.....	3 04	.....	6 07	15 18	.....	11 76	6 07	.....
Light.....	60 72	.....	30 36	.....	13 84	.....	21 92	24 87	.....	4 14	21 92	4 14
Heat.....	148 08	.....	57 26	.....	1 27	.....	2 54	6 39	.....	3 84	2 54	.....
Water.....	25 48	.....	12 74	.....	12 82	.....	20 30	23 03	.....	16 77	20 30	3 84
Janitor.....	137 16	.....	53 03	.....	.....	.....	.....	.....	.....	.....	.....	.....
Battery.....	67 06	.....	50 31	.....	.....	.....	.....	.....	.....	.....	.....	.....
Labor and maintenance	.....	.....	.....	.....	141 20	\$141 20	.....	.....	.....	.....	.....	.....
switchboard and accessories	423 60	\$141 20	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Buildings, fixtures and utility	.....	.....	.....	.....	113 16	.....	.....	.....	.....	.....	.....	.....
equipment.....	113 16	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other traffic expense.....	289 07	289 07	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Wire plant.....	437 16	.....	.....	3437 16*	.....	.....	.....	.....	.....	.....	.....	.....
Substations.....	713 95	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Commercial.....	880 80	.....	.....	.....	.....	.....	880 80	.....	.....	.....	.....	.....
General.....	1,911 76	.....	.....	.....	.....	.....	.....	1,911 76	.....	.....	.....	.....
Undistributed.....	567 44	.....	.....	.....	50 00	150 00	.....	367 44	.....	.....	.....	.....
	\$9,715 44	\$430 27	\$2,450 77	\$437 16	\$374 60	\$291 20	\$993 79	\$2,419 19	\$713 95	\$1,471 76	\$112 99	\$19 74

* Wire plant investment.

The summation of expenses as set forth in TABLE IX. after their apportionment to the three classes of service appears in TABLE X.

TABLE X.
SUMMARY OF APPORTIONED EXPENSES.

Apportionment Basis	Classes of Service			To Pay Stations and Other Utilities	Total
	Local	Switched	Toll		
Originating traffic.....	\$291 42	\$115 49	\$23 36		\$430 27
Weighted traffic.....	1,256 02	1,040 35	154 40		2,450 77
Investment.....	330 06	85 68	21 42		437 16
Lines.....	324 48	39 07	11 05		374 60
Subscriber.....	157 25	133 95			291 20
Billing basis.....	491 90	10 00	491 89		993 79
Direct.....	713 95		1,471 78	\$132 73	2,318 46
TOTAL.....	\$3,565 08	\$1,424 54	\$2,173 90	\$132 73	\$7,296 25
Per cent.....	48 88	19 52	29 80	1 82	100 00
Overhead.....	1,182 02	472 23	720 91	44 03	2,419 19
TOTAL.....	\$4,747 10	\$1,896 77	\$2,894 81	176 76	\$9,715 44
Per telephone.....	8 46	3 92	2 75		
Depreciation.....	2,287 20	304 17	140 76	Negligible	2,732 13
Interest.....	2,481 10	352 22	156 68	Negligible	2,990 00
TOTAL.....	\$9,515 40	\$2,553 16	\$3,192 25	\$176 76	\$15,437 57
Per telephone.....	16 90	5 28			
Local toll deficit prorate....	1,157 56	294 29			1,451 85
Long distance toll deficit prorate.....	592 37	35 87			628 24
TOTAL.....	\$11,265 33	\$2,883 32	\$3,192 25	\$176 76	\$17,517 66
Including taxes.....	11,554 16	2,957 24	3,274 11	181 30	18,182 23
Average per 'phone.....	20 52	6 11			

The totals apportionable to local, switched and toll are \$9,515.40, \$2,553.16 and \$3,192.25 respectively; or on an average cost per telephone the expense is \$16.90 to local and \$5.28 to switched.

The total revenues arising from toll, however, do not cover the cost of the service by \$2,080.09. Under existing conditions we deem it reasonable that the deficit arising from this service should be assessed to exchange subscribers. This amount (\$2,080.09) has been first apportioned to long distance and local toll systems on the basis

C. L. 84]

of the relative number of "out" tickets to long distance and local toll stations. The local toll portion is then distributed to local and switched service on the basis of the total originating and terminating toll calls, and the long distance portion on the basis of the "out" long distance tickets. From the summation of these results and those previously determined, we arrive at an average local rate of \$20.52 per telephone and a switching rate of \$6.11 per telephone.

It would appear from the above computations that a switching charge of approximately \$6.00 should be authorized, and such rates to local exchange service as will yield the above average rate per subscriber.

The rates for the various classes of service as proposed by the applicant have been applied to the corresponding number of subscribers in the respective classes as shown in the following table, and the total annual revenues are thus estimated:

<i>Business :</i>	<i>Net Monthly Rate</i>	<i>Yearly Revenue</i>
Magneto		
One-party	48 x \$2 25	\$1,296
Two-party	58 x 2 00	1,392
Common battery		
One-party	16 x 2 50	480
Two-party	18 x 2 25	486
Residence:		
Magneto		
One-party	219 x 1 50	3,942
Two-party	69 x 1 25	1,035
Common battery		
One-party	5 x 1 75	105
Multi-party	128 x 1 50	2,304
		<hr/> \$11,040

As these rates yield approximately the required revenues as set forth in TABLE X. they will be authorized.

The Commission reserves the right, however, to make adjustments in both the local exchange rates and the switching rate, at any time when the company may obtain a more favorable return on its toll business.

It is, therefore, ordered, That the applicant, the Richland Telephone Company, be, and the same hereby is, authorized to discontinue its present schedule of rates and to substitute therefor the following charges as set forth in the body of this decision, subject to the terms set forth above:

	<i>Net Per Month</i>
<i>Magneto service:</i>	
Business telephones, one-party.....	\$2 25
Business telephones, two-party.....	2 00
Business telephones, extension.....	50
Residence telephones, one-party.....	1 50
Residence telephones, two-party.....	1 25
Residence telephones, suburban, four-party.....	1 25
Residence telephones, additional for desk sets.....	15
<i>Common battery service:</i>	
Business telephones, one-party.....	2 50
Business telephones, two-party.....	2 25
Business telephones, extension.....	60
Residence telephones, one-party.....	1 75
Residence telephones, two-party.....	1 50
Residence telephones, additional for desk sets.....	15
Rural telephones, switching service.....	50
Extension sets, complete wall sets.....	50
Extension bells	15

All local subscribers will be billed at 25 cents per main station additional per month, and the same will be discounted if the bill is paid on or before the fifteenth day of the month in which service is given.

Charges for switching service are due quarterly in advance and shall be paid to the Richland company at its office by a duly authorized officer of the switching company on or before the end of the first month of the quarter. Failure to pay on or before this date entitles the collecting

C. L. 84]

company to charge a penalty of 5 per cent. of the total amount of the bill.

Rates herein authorized shall be effective on and after October 1, 1918.

Dated this thirtieth day of September, 1918, at Madison, Wisconsin.

In re APPLICATION OF MURRAY FARMERS TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

U-945.

Decided October 9, 1918.

**Increase in Multi-party and Single Line Rural Rates Authorized — 15
Per Cent. Allowed for Reserve for Depreciation and
Rate of Return.**

OPINION AND DECISION.

Application in this matter was made on July 18, 1918. The application sets forth that the present rate of the applicant is \$12.00 per year for rural service and that this rate is insufficient to pay operating expenses, maintenance, interest upon the capital invested and to create a depreciation reserve; and further, that the Chippewa Valley Telephone Company has been performing switching service for applicant at Bruce at 15 cents per subscriber, per month, and has notified applicant that this rate will have to be increased shortly to 25 cents per month, per subscriber.

It is also stated that another circuit will be added to the equipment in the near future by which the number of subscribers on each line will be reduced to conform to the Commission's standard of service. The rate applied for is \$1.25 per month.

Hearing in the matter was held at the office of the Commission at Madison, Wisconsin, on August 15, 1918. *Sever Serley* appeared for the applicant; there were no appearances in opposition.

The testimony shows that the applicant operates a telephone system serving 87 rural subscribers near the village

of Bruce. As stated above, switching service is secured from the Bruce exchange of the Chippewa Valley Telephone Company. At the date of the hearing the 86 subscribers were served upon 5 lines, and in addition there was one single party line. Of the 6 lines, all are grounded except one, this being a full metallic line with 29 subscribers connected. There is one other heavily loaded line having 20 subscribers. It was a matter of testimony at the hearing that both of these heavily loaded lines were to be divided this summer, so that in the aggregate the number of subscribers per line for the system was to be made to conform to the Commission's standard of service.

The applicant submitted at the hearing a statement of receipts and disbursements for the year ended August 1, 1918, showing construction expenditures separate from operation and maintenance expense. However, receipts from subscribers are shown rather than subscribers, telephone earnings and in some respects the items included in the income account are not properly chargeable as expenses. The following is the statement revised:

TABLE I.

<i>Operating Revenues:</i>	
Subscriber telephone earnings.....	\$1,050 00
Commission on tolls.....	30 80
<hr/>	
TOTAL EARNINGS (OPERATING).....	\$1,080 80
 <i>Operating Expenses:</i>	
Switching service at Bruce.....	148 88
Batteries, wire and miscellaneous materials (including freight).....	99 78
Labor and livery.....	340 13
Salaries of officers.....	50 00
Taxes	26 72
<hr/>	
TOTAL OF ABOVE ITEMS.....	\$665 51
<hr/>	
GROSS INCOME BEFORE PROVISION FOR DEPRECIATION.....	\$415 29

In addition to the disbursements represented by the above operating expenses the applicant spent \$374 on new

C. L. 84]

construction and replacements, most of which was spent for wire used in reducing the overloaded condition of the lines and in telephones to replace obsolete and worn out equipment.

The proposed rate increase of \$3.00 per telephone, per year would net the applicant upon the basis of the present number of subscribers, \$261 per year. Adding this to the \$415.29 of gross income (exclusive of depreciation allowance) in TABLE I. would give \$676.29 available for interest and depreciation and whatever increases in expenses occur in the coming year. Should the Commission find upon formal investigation that the Chippewa Valley Telephone Company is justified in increasing the applicant's switching rate from 15 cents to 25 cents per month, per subscriber, the expenses of the applicant would be increased approximately \$144 per year, which in turn would decrease the gross income to \$532.29. This would provide for interest and depreciation at 15 per cent. upon an investment of approximately \$3,550. Our judgment is that \$3,550 will be a very conservative estimate of the cost of reproduction of the applicant's property when the reduction of the number of telephones per line, in accordance with the applicant's present plans, has been completed. Under the circumstances we believe that the rates applied for should be granted at such time, as all lines have been reduced to 15 or less subscribers per line.

It has been pointed out above that the applicant has one single party line. This line is a grounded line extending 6 miles from Bruce to Larson Brothers' ranch. It appears that Larson Brothers originally paid \$86.80 for the wire and labor of installing same, and since have paid \$26.60 per year, of which \$12.60 per year is paid to the Bruce exchange for switching service.

We believe that this rate is far below the cost of the service rendered by the applicant. If we exclude the cost of batteries and switching service from the income account (TABLE I.) and include interest and depreciation of wire plant and pole leads at \$390, we arrive at \$800 as the

approximate total cost of operation (including fixed charges) of the applicant's pole and wire plant. It appears that the applicant maintains about 74 miles of wire so that the cost per wire mile is approximately \$10.80. This Commission has made similar comparisons of cost for other utilities, basing the costs upon valuations made by the Commission's staff and upon accurate accounting data, with the result that the cost of maintenance and operation of wire plant including interest and depreciation thereon was found to be between \$9.00 and \$10.00 per wire mile for grounded service. Were a charge of \$10.00 per wire mile in effect for the subscriber in question in this case, his bill would be approximately \$60.00 per year, plus a switching charge of \$12.60 per year, or \$72.60.

It appears evident that the rate being paid by the one-party subscriber, even taking into consideration the fact that the wire and the labor thereon was paid for by him, is much too low and is discriminatory. The total amount paid by this subscriber during the first two years in which single party service was rendered to him was as follows:

Cost of wire and labor.....	\$86 80
Two years' rental at \$25.60.....	51 20
TOTAL	\$138 00

The total falls short of paying the cost of the service (2 x \$72.60 equals \$145.20) by about \$7.00. Since this service has been installed more than two years at the present time, no injustice will be done the subscriber if the rate is placed at cost at this time, no consideration being given to the fact that originally he furnished the wire to make the extensions.

It is, therefore, ordered, That the applicant, the Murray Farmers Telephone Company, be, and the same hereby is, authorized to suspend the rate for rural service now in effect and substitute therefor the following:

Rural service, multi-party line, \$15.00 per year.

Rural service, single party line, \$12.60 per year plus \$10.00 per mile, or fraction thereof, outside of the village limits of the village of Bruce.

The above schedule shall become effective at such time as the applicant shall have notified the Commission that the number of subscribers on its lines has been reduced to 15 or less for each line.

Dated this ninth day of October, 1918, at Madison, Wisconsin.

WESTERN CRAWFORD COUNTY FARMERS MUTUAL TELEPHONE
COMPANY v. UNION TELEPHONE COMPANY.

U-948.

Decided October 9, 1918.

Toll Rates Established — Apportionment of Toll Earnings Made.

Complainant owns and operates a telephone system having exchanges located at Bridgeport, Wauzeka and Eastman, all within a 15-mile radius of the city of Prairie du Chien, where respondent owns a telephone exchange. Communication between the Prairie du Chien exchange and the Bridgeport exchange is over a toll line owned by Union Telephone Company, while communication between the Prairie du Chien exchange and the Eastman and Wauzeka exchanges is over a toll line owned by Western Crawford County company. The rates now in effect are those established by the Commission in 1913 as the result of a refusal by the Union company to perform the exchange service without some compensation, and the refusal by the Western Crawford company to agree to make a charge for interexchange service; such rates cover the expenses actually incurred by the Union company in furnishing such interexchange service. Complainant alleged that the present arrangement of toll charges is unfair and inequitable, inasmuch as the Union company receives the total toll charges now being collected, while complainant is obliged to maintain its toll line and equipment without compensation.

Held: That, as the Commission does not favor free interexchange service, since it has been found in general not to give satisfaction, a charge of 10 cents should be authorized for all messages over toll lines, of which amount the originating exchange shall retain 3 cents to pay switching costs, and the remaining 7 cents shall be divided between the companies owning the toll lines over which the message is sent, in proportion to the mileage haul, as remuneration for line costs incurred.

OPINION AND DECISION.

The Western Crawford County Farmers Mutual Telephone Company owns and operates a telephone system

having, among others, exchanges located at Bridgeport, Wauzeka, and Eastman, all in Crawford County, Wisconsin, and within a 15-mile radius of the city of Prairie du Chien, Wisconsin. The Union Telephone Company owns and operates a telephone exchange at Prairie du Chien. Telephone communication between the Prairie du Chien exchange and the Bridgeport exchange is at present obtainable over a clear grounded toll line owned by the Union Telephone Company which for convenience may be designated as the Prairie du Chien-Bridgeport line. Telephonic communication between the Prairie du Chien exchange and the Eastman and Wauzeka exchanges is obtainable over a clear grounded toll line owned by the Western Crawford County Farmers Mutual Telephone Company. This line may be referred to as the Prairie du Chien-Eastman-Wauzeka line. The rates in effect for service on these toll lines were established by the Commission June 16, 1913,* in a case wherein the controversy arose as a result of a refusal on the part of the Union Telephone Company to longer perform interexchange service without some compensation and a refusal on the part of the Western Crawford County Farmers Mutual Telephone Company to agree to make a charge for interexchange service. The Commission held in that case that

“As long as the amount received by the Union Telephone Company for service rendered is only a reasonable amount to cover the expenses actually incurred by that company in furnishing the service, the Western Crawford County Farmers Mutual Telephone Company has no just ground for complaint with regard to that charge.”

and thereupon ordered, among other things, that the Union Telephone Company should charge 3 cents per message to cover the costs of its services for all messages originating or terminating at its exchange routed over the line hereinbefore designated as the Prairie du Chien-Eastman-Wauzeka line, and 5 cents per message for all messages originating or terminating at its exchange routed over

* See Commission Leaflet No. 20, p. 417.

the line hereinbefore designated as the Prairie du Chien-Bridgeport line.

In a petition filed with the Commission January 15, 1918, the Western Crawford County Farmers Mutual Telephone Company alleges that the present arrangement of toll charges is unfair and inequitable, inasmuch as the Union Telephone Company receives the total toll charges now being collected and the Western Crawford County Farmers Mutual Telephone Company is obliged to maintain its toll line and equipment without any compensation. The Commission is requested to establish fair and reasonable toll rates and to provide the basis upon which the toll earnings shall be divided between the Union Telephone Company and the Western Crawford County Farmers Mutual Telephone Company.

Hearing in this matter was held February 14, 1918, at Madison, Wisconsin. Appearances were *C. L. Lathrop* and *T. F. Polodna* on behalf of the Western Crawford County Farmers Mutual Telephone Company, and *J. A. Murray* on behalf of the Union Telephone Company.

Apparently the Western Crawford County Farmers Mutual Telephone Company has since the establishment of the present toll rates, June 16, 1913, changed its views with reference to the desirability of rendering free inter-exchange service particularly with the Prairie du Chien exchange. This changed view should, the Commission believes, receive favorable consideration, for free inter-exchange service has not in general been found to give satisfaction.

The Commission believes that reasonable rates on messages routed over the toll lines previously referred to will be 10 cents per message. These rates should apply on all messages between Prairie du Chien and Bridgeport; Prairie du Chien and Eastman; Prairie du Chien and Wauzeka; Wauzeka and Eastman.

As to a proper method of apportioning the toll earnings which would result from placing in effect the above rates, the Commission believes that the originating exchange

should retain 3 cents of each outgoing message to pay switching costs, and that the remaining 7 cents should be divided between the companies owning the toll lines over which the message is sent, in proportion to the mileage haul, as remuneration for line costs incurred.

With the suggested rates in effect under the present conditions of ownership, the Union Telephone Company would receive from all messages using the Prairie du Chien-Bridgeport line 10 cents, and 7 cents respectively on calls originating and terminating at Prairie du Chien. From all messages using the Prairie du Chien-Eastman-Wauzeka line it would receive 3 cents on calls originating at Prairie du Chien. Similarly the Western Crawford County Farmers Mutual Telephone Company would receive from all messages using the Prairie du Chien-Bridgeport line 3 cents on calls terminating at Prairie du Chien with the exception of the 3 cents on calls originating at Prairie du Chien it would receive practically all revenues which would result from the toll rates between Prairie du Chien and Eastman, Prairie du Chien and Wauzeka, and Eastman and Wauzeka.

The toll charge of 10 cents between Eastman and Bridgeport is in our opinion necessary in order to regulate the service over the Prairie du Chien-Eastman-Wauzeka line as well as to avoid discriminatory toll rates between communities.

The foregoing toll rates apportioned as suggested would increase the per call earnings to the Union Telephone Company on the Prairie du Chien-Bridgeport line but they would decrease them on the Prairie du Chien-Eastman-Wauzeka line. So far as gross earnings are concerned, however, it is probable that the authorizing of the suggested tolls will have little effect, since the losses in gross earnings on the latter line will be compensated by the gains in gross earnings on the former line.

About the only object sought by the placing of a 3 cents per message charge on incoming messages from the Prairie du Chien-Eastman-Wauzeka line in our decision of 1913*

* See Commission Leaflet No. 20, p. 417.

C. L. 84]

was to check the number of useless calls which are often made when service is free. This will now be amply provided for by the 10-cent charge which is to be made by the Western Crawford County Farmers Mutual Telephone Company. There need, therefore, exist no question as to the reasonableness of the suggested rates or their apportionment between companies on account of their removing all earnings to the Union Telephone Company on terminating messages from the Prairie du Chien-Eastman-Wauzeka line.

The Commission does not deem it advisable to establish toll rates at this time for interexchange messages between the neighboring exchanges of Eastman and Lynxville, Eastman and Seneca or Mt. Sterling, Eastman and Steuben, and Wauzeka and Steuben, inasmuch as telephonic communication between them is over heavily loaded grounded lines. As soon as clear trunks are provided between any of these exchanges we recommend that steps be taken to have toll rates authorized for the interexchange service.

It is, therefore, ordered:

1. That the Union Telephone Company and the Western Crawford County Farmers Mutual Telephone Company be, and the same hereby are, authorized to and shall respectively charge and collect from such of their subscribers or connecting companies as originate messages, which in order to reach their destination are transmitted over any part or the whole of either the Prairie du Chien-Bridgeport or the Prairie du Chien-Eastman-Wauzeka toll lines, the sum of 10 cents for each message so transmitted, and shall from time to time make a distribution of the earnings resulting from such toll rates in accordance with the table following:

<i>Messages From</i>	<i>To</i>	<i>Total Charge</i>	<i>Amount to Union Telephone Company</i>	<i>Amount to Western Crawford County Telephone Company</i>
Prairie du Chien	Bridgeport	\$0 10	\$0 10	None
Prairie du Chien	Eastman	10	3	\$0 07
Prairie du Chien	Wauzeka	10	3	7
Bridgeport	Prairie du Chien....	10	7	3
Eastman	Prairie du Chien....	10	None	10
Wauzeka	Prairie du Chien....	10	None	10
Eastman	Wauzeka	10	None	10
Wauzeka	Eastman	10	None	10

2. That the Union Telephone Company and the Western Crawford County Farmers Mutual Telephone Company shall each make and keep a daily record of all completed calls switched by their individual exchanges on to the Prairie du Chien-Bridgeport and Prairie du Chien-Eastman-Wauzeka toll lines, and shall upon request of any one exchange furnish it with such record. The exchanges to which this section of the order relates are the Prairie du Chien exchange of the Union Telephone Company and the Eastman, Bridgeport and Wauzeka exchanges of the Western Crawford County Farmers Mutual Telephone Company.

3. This order shall be placed in effect by the Union Telephone Company and the Western Crawford County Farmers Mutual Telephone Company on October 28, 1918.

Dated at Madison, Wisconsin, this ninth day of October, 1918.

C. L. 84]

In re APPLICATION OF SHELL LAKE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-950.

Decided October 12, 1918.

**Increase in Rates with a Prompt Payment Discount Authorized — Rate
of Return Estimated at 8 Per Cent.— Time of Payment of Switch-
ing Charges Prescribed — Single Party Rates for Two-Party
Service Approved Where Character of Distribution
System Was the Same.**

OPINION AND DECISION.

The Shell Lake Telephone Company provides certain telephone service in and about the village of Shell Lake, Wisconsin, at the following rates:

Business subscribers	\$1 50 per month
Residence subscribers	1 00 per month
Rural subscribers	1 00 per month
Switching service	2 50 per year

Said company in a petition filed with the Commission August 8, 1918, alleges that increases in labor and material costs make it necessary to increase the rates cited above. It requests authority to substitute for them the following rates:

Business subscribers	\$2 00 per month
Residence subscribers:	
Individual line	1 50 per month
Two-party line	1 25 per month
Rural subscribers	1 00 per month
Switching service	3 50 per year

A hearing in this matter was held pursuant to notice September 13, 1918, at Madison, Wisconsin. *Mike Peters*, owner, appeared on behalf of the petitioning utility. There were no appearances in opposition.

The Shell Lake Telephone Company provides continuous service on all days excepting Sundays, when the exchange

is closed from 12:00 noon to 6:00 P. M. It has a 150 drop capacity switchboard with 95 drops in use. The distribution of the used drops among the various classes of service in numbers and per cent. is:

		<i>Per Cent.</i>
Local	81	85.3
Rural	2	2.1
Switched	8	8.4
Toll	4	4.2
	<hr/> 95	<hr/> 100.0

Most of the local lines are metallic, there being some McClure and 4 grounded lines. The rural and switched lines are grounded; the toll lines are metallic, 3 of them being long distance lines and one a local toll line connecting Shell Lake with Spooner.

As nearly as we can determine from the testimony and the annual reports, the petitioner serves a total of 312 subscribers, of which number 105 are local, 32 are rural, and 175 are switched, the latter being direct subscribers of the Bashaw Valley Telephone Company, which has 8 lines connected to the Shell Lake exchange.

VALUE OF PROPERTY.

The owner of the Shell Lake Telephone Company testified at the hearing that he came into possession of the utility by purchase, having on January 1, 1918, paid to D. J. Albee \$4,000 for the total property. The book value as represented in the last annual report was \$3,516 as of December 31, 1917. From comparative valuation data it appears that the book value is somewhat low and that \$4,000 may reasonably be used as the reproduction cost of the property.

REVENUES AND EXPENSES.

The revenues and expenses as set forth in the annual reports to the Commission for the last three calendar years are presented in TABLE I.

TABLE I.

REVENUES AND EXPENSES AS SET FORTH IN ANNUAL REPORTS TO COMMISSION.

Classification	Year Ending December 31		
	1915	1916	1917
<i>Revenues:</i>			
Total operating revenue.....	\$1,240 00	\$1,308 00	\$1,400 00
<i>Expenses:</i>			
Labor.....	\$509 00	\$700 00	\$1,000 00
Materials and miscellaneous items.....	150 00	150 00	150 00
Depreciation.....	150 00	150 00	100 00
Taxes.....	31 00	32 70	35 00
TOTAL OPERATING EXPENSES.....	\$840 00	\$1,032 70	\$1,285 00
Available for interest and dividends.....	\$400 00	\$275 30	\$115 00

The revenues and expenses as reported are quite different from the revenues and expenses which we obtain on the basis of such data as was presented at the hearing, and which follows:

Operating Revenues:

46 business subscribers at \$18.00 per year.....	\$828 00
59 residence subscribers at \$12.00 per year.....	708 00
32 rural subscribers at \$12.00 per year.....	384 00
175 switched subscribers at \$2.50 per year.....	437 50
Toll and miscellaneous earnings.....	125 00

TOTAL OPERATING REVENUES..... \$2,482 50

Operating Expenses:

Central office operating labor.....	\$960 00
Rent	108 00
Light	12 00
Heat	75 00
Battery expense for central office.....	45 00
Manager's salary	900 00
Other expenses	75 00
Depreciation	240 00
Taxes	62 05

TOTAL OPERATING EXPENSES..... \$2,477 05

Available for interest..... \$5 45

The revised income account includes such operating expenses as applicant submitted for our consideration at the hearing. We are inclined to believe that they are conservative and that the amount allowed for other expenses of \$75.00 is too low. These other expenses include cost of materials for keeping the system in repair, among which one fairly substantial item would be batteries for substations. They also include charges for printing directory and bills, for postage, and for insurance, if any is provided. Our opinion is that \$150 would be nearer the amount which should be allowed for miscellaneous expenses.

Considering those revenues and expenses which have just been explained, assuming that \$150 should be allowed for miscellaneous expenses, applicant would incur an annual operating deficit of \$69.55. To cover this operating deficit, and in addition to yield \$320 for interest purposes, it will be necessary to revise the rates so as to produce \$390 of additional revenues.

After a study of the traffic arising from the various classes of subscribers and the operating costs incident to the giving of telephone service at Shell Lake, we have worked out the following schedule of rates which appears reasonable, and which will give petitioner such increased revenues as appear necessary:

SUGGESTED RATES.

	Gross Per Month	Net Per Month
<i>Business Subscribers:</i>		
One-party	\$2 00	\$1 75
Two-party	1 75	1 50
<i>Residence Subscribers:</i>		
One-party	\$1 75	\$1 50
Two-party	1 50	1 25
Three- and four-party.....	1 25	1 00
Rural subscribers	1 25	1 00
		<i>Net Per Half Year</i>
Switched subscribers		\$1 50

The bills should be made out on the basis of the gross rates, but if payment is made before the fifteenth of the month in which the service is being rendered subscribers

C. L. 84]

should be given the difference between the gross and the net rates as a discount for prompt payment.

Petitioner reports that 7 business subscribers are connected to two-party lines on which their respective residences constitute the second party. In order to avoid any question as to what rates shall apply to these subscribers, special provision for this situation will be made in the order.

In cases involving switching charges, it has been the custom of the Commission to be specific as to the manner, time and place bills for switched subscribers shall be paid. The usual practice is to require the company whose subscribers receive switching service to be directly responsible to the company performing the switching service for the payment of all bills for switching. We usually stipulate in our orders that these bills are payable quarterly or semi-annually at the office of the company which performs the switching service, and that the amount payable shall include the total switching service charges for the succeeding quarter or half year plus the total charges for toll service extended to the switched subscribers in the preceding quarter or half year. We see no special reason why we should depart from the usual practice in this case. Our order, therefore, will provide the usual practice.

It is, therefore, ordered, That the petitioner, the Shell Lake Telephone Company, be and the same hereby is, authorized to place in effect the following rates and rules, it being understood that all service shall be billed at the gross rates when these are provided:

	<i>Gross</i> <i>Per Month</i>	<i>Net</i> <i>Per Month</i>
<i>Business Subscribers:</i>		
One-party	\$2 00	\$1 75
Two-party	1 75	1 50
<i>Residence Subscribers:</i>		
One-party	\$1 75	\$1 50
Two-party	1 50	1 25
Four-party	1 25	1 00
Rural subscribers per quarter, gross.....		\$3 75
Rural subscribers per quarter, net.....		3 00
Switched subscribers per six months, net.....		1 50

DISCOUNT.

Business and residence subscribers shall be given a discount equal to the difference between the gross and the net rates when bills are paid on or before the fifteenth of the month in which service is being rendered.

Rural subscribers shall be given a discount of 75 cents if bill is paid before or during the first month of the quarter in which service is being rendered; of 50 cents if bill is paid during the second month of the quarter in which service is being rendered; and of 25 cents if bill is paid during the third month of the quarter during which service is being rendered.

PAYMENT OF SWITCHING CHARGES.

Companies having subscribers who receive switching service from the Shell Lake Telephone Company shall, on or about January 1 and July 1 of each calendar year, pay to the Shell Lake Telephone Company at its office in Shell Lake a sum equal to the total switching charges of its subscribers for the succeeding six months, plus the total toll charges incurred by its subscribers, as per itemized bill of the Shell Lake Telephone Company for the preceding six months.

SINGLE PARTY RATES APPLICABLE ON TWO-PARTY SERVICE.

The single party rates shall be applicable in all cases where two- or more party service is furnished, where the character of the distribution system required is practically the same as for single party service, *i. e.* where two or more lines are bridged at or near the central office.

It is further ordered:

1. That all rates and rules now in effect which are not in conflict with the rates and rules herein authorized shall continue in full force and effect as heretofore.
2. That the rates and rules authorized in this order shall become effective November 1, 1918, with the exception of the switching rates, which shall become effective January 1, 1919.

Dated at Madison, Wisconsin, this twelfth day of October, 1918.

C. L. 84]

In re APPLICATION OF AUGUSTA LIGHT AND TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

U-901.

Decided October 14, 1918.

Order Requiring Employment of Additional Operator Rescinded.

OPINION AND DECISION.

An order* was entered in the above-entitled matter on June 28, 1917, requiring, among other things, that the Augusta Light and Telephone Company should on or before August 1, 1917, employ one additional operator so that, except during the night shift, there should be two operators on duty at all times. In August, 1918, representations were made to the Commission by the company that traffic conditions did not then warrant the employment of an additional operator as ordered. Subsequently an investigation was made by a member of the staff which showed that the traffic was not so great as to require the services of the additional operator.

It is, therefore, ordered, That Paragraph 4 of our order herein, dated June 28, 1917, is hereby rescinded, jurisdiction being retained to make such further order as may become necessary with reference to switchboard service, with or without further hearing, as may be deemed best.*

Dated at Madison, Wisconsin, this fourteenth day of October, 1918.

In re INVESTIGATION ON MOTION OF COMMISSION OF SERVICE RENDERED BY INDEPENDENCE TELEPHONE COMPANY.

Decided October 14, 1918.

Change of Connection to Another Rural Line at Instance of Certain Subscribers, and Against Wishes of Subscribers To Be Changed, Denied.

OPINION AND DECISION.

Informal complaint having been made by John T. Skroch to the effect that the present method and practice of the

* See Commission Leaflet No. 68, p. 434.

Independence Telephone Company in dividing its lines and adjusting its circuits has produced great inconvenience to the complainant and other subscribers, and that the company refuses to readjust its circuits to meet the requirements of subscribers, a hearing on motion of the Commission was duly ordered and held at Whitehall on September 19, 1918. *Ole J. Eggum* appeared for John T. Skroch and *John C. Skroch*, president, represented the Independence Telephone Company.

Two rural lines running easterly from Independence are concerned in this proceeding—No. 20 and No. 46. The former now serves 12 subscribers and the latter 11 subscribers. The 6 subscribers served by line No. 46 who live east of the section corner between sections 19, 20, 30 and 29, wish to have the 3 subscribers living east of that corner, who are now served by line No. 20, transferred to their line. To prevent overloading by this transfer, it is suggested that certain other subscribers on line No. 46 who live near Independence could be transferred to some other line without serious inconvenience. It was shown that the subscribers living west of the corner above described exchange work and have other business relations with each other. It was also shown that the 3 subscribers in this group now served by line No. 20 also have business dealings with other subscribers on that line and that one of them has a father served by line No. 20. Neither of these 3 parties appeared at the hearing, but 2 of them have filed an affidavit to the effect that they wish to remain on line No. 20. The company appears to be willing to make any readjustment of the lines in question which can be agreed upon by the parties served thereby.

It is apparent from the physical conditions that the natural arrangement in good telephone practice would be for line No. 46 to serve all of the subscribers east of the corner above described. If the company regards the change as in the best interests of the service it would be justified in making it. Moreover, if the 3 subscribers, Mat Skroch, Roy J. Sousolla and Roy Rebarchek, should request the change,

C. L. 84]

the company should connect their telephones with line No. 46. In view of the expressed desire of 2 of these parties to remain on line No. 20, however, the Commission does not feel justified in requiring any readjustment of their service. Neither line is seriously overloaded, and with proper switchboard service communication between the two lines should not be unreasonably difficult.

It is ordered, That the proceeding herein be, and the same is hereby, dismissed.

Dated at Madison, Wisconsin, this fourteenth day of October, 1918.

In re APPLICATION OF NEWTON-MANITOWOC TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Decided October 26, 1918.

Increase in Rates Authorized — Change from Measured to Flat Rates for Switching Service Authorized — Discrimination as to Stockholders Eliminated.

OPINION AND DECISION.

On March 18, 1918, the Newton-Manitowoc Telephone Company filed an application for authority to increase its rates from \$1.25 per month to \$1.50 for the reason that the subscriber formerly paid for his switching service in addition to the regular monthly rental charge. Hearing in the matter was set for April 19, 1918, but no one appeared for or against the application.

The Newton-Manitowoc Telephone Company is engaged in furnishing service to certain rural sections in close proximity to the village of Newton, Manitowoc County. It has been the practice in the past for the subscribers to pay a monthly rental of \$1.25 and in addition to that pay 2 cents a call to the switchboard operator for exchange service. According to the company's statement, this payment to the operator averaged about \$5.00 a year per subscriber. The company has now entered into an arrangement with the

operator whereby a flat wage will be paid for this switching service and the subscribers are to pay \$3.00 a year instead of 2 cents a call. It is represented to us that this will really be a saving to most of the subscribers. At the same time it will eliminate the extra work of recording the calls by the operator and to a certain extent better and quicker service should be afforded.

It appears that those subscribers who are stockholders are not charged a fixed monthly rental—in their case a settlement is made at the annual meeting. The Commission has held in a number of cases that such a practice is discriminatory and in violation of the Public Utility Law.

"Section 1797m-92. It shall be unlawful for any person, firm or corporation knowingly to solicit, accept or receive any rebate, concession or discrimination in respect to any service in or affecting or relating to the production, transmission, delivery or furnishing of heat, light, water or power or the conveying of telephone messages within this State, or for any service in connection therewith whereby any such service shall, by any device whatsoever, or otherwise be rendered free or at a less rate than that named in the schedules and tariffs in force as provided herein, or whereby any service or advantage is received than is herein specified."

The company is obliged to charge subscribers who are stockholders the same rates that so-called renters are required to pay. Stockholders are entitled to dividends paid out of the earnings of the company and not to any reduced rates or charges for service.

The financial condition of the utility does not appear to be sufficiently well set forth in the annual reports to make it possible for us to pass intelligently upon the necessity for any additional revenue. It is stated by the company that this proposed change in the rates will not add to the company's earnings. The rate applied for is applicable to subscribers who are stockholders as well as to renters, and since 176 of the 181 subscribers are stockholders the principal part of the increase will be borne by the stockholding subscribers. Inasmuch as the proposed increase of \$3.00 in the annual rental charge is offset by relieving the subscribers from paying certain exchange charges, it seems to

C. L. 84]

us that the application should be granted. We, furthermore, feel that the individual subscriber's telephone needs will be more adequately met if unlimited service is afforded through the exchange with which he is directly connected.

It is, therefore, ordered, That the Newton-Manitowoc Telephone Company be authorized to discontinue its present rates and charge all of its subscribers \$1.50 per month for unlimited exchange service.

Dated at Madison, this twenty-sixth day of October, 1918.

14105

JAN 28 1919

American Telephone and Telegraph Company
Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 85

**Recent Commission Orders, Rulings and Decisions
from the following States:**

California	New York
Illinois	Ohio
Indiana	Oregon
Kansas	Pennsylvania
Michigan	South Dakota
Minnesota	Virginia
Missouri	Wisconsin

and
from
Canada
and
Ontario

JANUARY 1, 1919

CALIFORNIA.

Railroad Commission.

In re APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO SELL PROPERTY AND FRANCHISE AND TO LEASE PROPERTY TO REDONDO HOME TELEPHONE COMPANY AND TO WITHDRAW FROM BUSINESS, AND OF REDONDO HOME TELEPHONE COMPANY FOR AUTHORITY TO ACQUIRE PROPERTY AND FRANCHISE AND TO LEASE PROPERTY, AND TO ISSUE BONDS.

Application No. 3866 — Decision No. 5613.

Decided July 26, 1918.

Sale of Property to Competitor Authorized — Certificate Issued to Purchaser to Exercise Municipal Franchise Grant.

OPINION.

Applicants seek authority to consolidate two competing telephone systems operating in the city of Redondo and vicinity.

The Pacific Telephone and Telegraph Company proposes to sell, and pending consolidation to lease, to Redondo Home Telephone Company its plant.

The purchase price agreed upon involves the issuance of bonds by Redondo Home Telephone Company and there is not sufficient evidence before this Commission upon which to determine the amount of bonds which may safely be borne by the telephone property upon which the lien of these bonds will rest.

We find here the usual reasons for approving of consolidation. It would be to the undoubted advantage of telephone subscribers in this community to have the use of one system, and notwithstanding widespread publicity given to this proposed consolidation no protests were made.

Furthermore, it is evident that this is not a field within which two competing companies can operate with financial

success. The evidence before the Commission shows that for a period of six years last past the Redondo Home Telephone Company has operated at a net loss and it will be impossible for it to continue operations and avoid bankruptcy. It may be that with the two plants consolidated and the entire telephone business done by one company, there will be reasonable hope of successful financial operation.

I recommend, therefore, that this consolidation be authorized and that the terms and conditions of the consolidation be fixed by a subsequent supplemental order when the Commission will be more fully advised.

ORDER.

Application having been made therefor by The Pacific Telephone and Telegraph Company and Redondo Home Telephone Company,

It is hereby ordered by the Railroad Commission of the State of California, That The Pacific Telephone and Telegraph Company is hereby authorized to sell all that certain real and personal property and franchise located in the city of Redondo and vicinity, all of which is more particularly described in Exhibit A and Exhibit No. 2 on file herein, to Redondo Home Telephone Company and pending the consolidation of the plants herein authorized, to lease the same.

Redondo Home Telephone Company is hereby authorized to purchase and lease said property and to consolidate the same with its telephone system in the city of Redondo and vicinity; *provided*, however, that before said sale or lease shall be consummated a supplemental order shall be made by this Commission fixing the terms of such sale and lease.

The Pacific Telephone and Telegraph Company is further authorized to withdraw from the telephone business in the city of Redondo and vicinity.

It is hereby declared by the Railroad Commission of the State of California that public convenience and necessity require and will require that Redondo Home Telephone

C. L. 85]

Company exercise the rights and privileges under the franchise to be acquired from The Pacific Telephone and Telegraph Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of July, 1918.

In re APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO SELL PROPERTY TO OXNARD HOME TELEPHONE COMPANY, AND TO WITHDRAW FROM BUSINESS, AND OF LATTER COMPANY TO ACQUIRE PROPERTY OF FORMER COMPANY, AND TO ISSUE BONDS AND NOTES.

Application No. 3826 — Decision No. 5639.

Decided July 29, 1918.

Sale of Property to Competitor Authorized.

OPINION.

This is an application seeking the authority of the Railroad Commission for the consolidation of two competing telephone systems now in operation in the city of Oxnard and vicinity. The Pacific Telephone and Telegraph Company and Oxnard Home Telephone Company are the companies now operating these competing systems.

The Pacific Telephone and Telegraph Company desires to sell to Oxnard Home Telephone Company its property consisting of plant and equipment (exclusive of certain items thereof), and Oxnard Home Telephone Company desires to purchase and acquire the same for the sum of \$23,159.79. Oxnard Home Telephone Company also desires authority to issue its bonds of the par value of \$9,000 now in its treasury in payment of \$8,100 of the purchase price, and to issue its two-year 6 per cent. promissory note in payment of the balance of \$15,059.79 of the purchase price.

If authority to sell and transfer said property is granted, it is the plan of The Pacific Telephone and Telegraph Company to withdraw from the operation of the telephone system in said city and territory tributary thereto.

The rates at present in effect over the two competing systems are not the same for like service in all cases. In order to avoid discrimination in rates which would otherwise exist if consolidation were authorized, Oxnard Home Telephone Company asks that reasonable rates be authorized for the service and conditions thereafter pertaining.

A hearing was held in the city of Oxnard on July 12, no one appearing in opposition to the application for authority to consolidate. The conditions attendant upon the operation of competing telephone systems in this instance are so similar to those existing in other localities where consolidation has recently been authorized by this Commission that it seems unnecessary to again review them here.

There is not sufficient evidence before the Commission upon which a proper determination may be reached as to the value of the plant to be sold and transferred or to determine the total property value of Oxnard Home Telephone Company upon which proposed and existing issues of securities are dependent, or as to earnings reasonably to be expected after consolidation.

I accordingly recommend that an order be made authorizing the consolidation of these two telephone systems and leaving for a subsequent supplemental order the fixing of the terms and conditions upon which such consolidation shall be made.

ORDER.

Application therefor having been made by The Pacific Telephone and Telegraph Company and Oxnard Home Telephone Company, and a public hearing having been had,

It is hereby ordered by the Railroad Commission of the State of California, That The Pacific Telephone and Telegraph Company be, and it is hereby, authorized to sell to Oxnard Home Telephone Company all that certain real and

C. L. 85]

personal property located in the city of Oxnard and territory tributary thereto now being used by said The Pacific Telephone and Telegraph Company in the conduct of a telephone business, as more particularly described in Exhibit A and Exhibit No. 1 on file herein.

Oxnard Home Telephone Company is hereby authorized to purchase said above-described property and to consolidate said property with its telephone system now being operated in the city of Oxnard and territory tributary thereto; *provided*, however, that before said sale is consummated a supplemental order herein shall be made by this Commission fixing all of the terms and conditions of such sale and fixing the amount of bonds and notes which may be issued by Oxnard Home Telephone Company, and the details and conditions of such issue.

It is hereby further ordered, That The Pacific Telephone and Telegraph Company is hereby authorized to withdraw from the telephone business in the city of Oxnard and in the territory tributary thereto.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of July, 1918.

In re APPLICATION OF F. J. CULVER FOR AUTHORITY TO WITHDRAW SERVICE.

Application No. 3802 — Decision No. 5757.

Decided November 14, 1918.

Authority to Discontinue Service Granted.

OPINION.

On or about January 1, 1910, petitioner herein entered into a contract with Southwestern Home Telephone Company for the connection of a telephone line, which was later

constructed, for telephone service for the use of Forest Home Outing Company at Forest Home in Mill Creek Canyon, San Bernardino County. Subsequently, petitioner permitted the connection of telephones to this line for the use of the following parties along its route, viz.: L. A. Harvey, Kate Harvey, M. R. Covington, Mill Creek Ranch, California Marble Company, Jack Allen and O. P. Wyatt.

During the year 1915, petitioner's line was destroyed by flood and has not since been rebuilt. Although petitioner has heretofore charged and collected rates for the service rendered, it was not the intention originally to operate the line as a public utility, and petitioner now seeks authority to formally withdraw the service.

Of the parties formerly served by this line, one is since deceased, one has left the country, another has gone out of business, and another now is provided with telephone service by Southwestern Home Telephone Company. The three remaining parties have given their written consent to the withdrawal of service by petitioner, and their written consent has been filed with the Railroad Commission.

We are of the opinion that this petition should be granted and that this is not a matter requiring a public hearing.

ORDER.

Application having been filed with the Railroad Commission by F. J. Culver to withdraw telephone service as set forth in the preceding opinion, and it appearing to the Railroad Commission that this is not a matter in which a public hearing is necessary,

It is hereby ordered by the Railroad Commission of the State of California, That the petition herein be, and it is hereby, granted.

Dated at San Francisco, California, this fourteenth day of September, 1918.

ILLINOIS.

Public Utilities Commission.

In re APPROVAL OF LEASE BY CHICAGO, MILWAUKEE AND ST. PAUL RAILWAY COMPANY TO DEKALB COUNTY TELEPHONE COMPANY.

Case No. I-3016.

Decided October 28, 1918.

Approval of Lease, Subject to Termination by Commission, Granted.

ORDER.

In this case the lease is for 4250 square feet of land in Kirkland, DeKalb County, Illinois, for the term of two years at \$18.00 per year, and the purpose is for a piling ground for poles for the said telephone company.

The lease does not provide that it can be terminated by either party or by this Commission. Apparently the lease is a proper one to be made.

It is, therefore, ordered, That the above-named parties are hereby permitted to enter into the above-mentioned lease and carry out its provisions, *provided*, said lease may be terminated at any time by this Commission.

By order of the Commission, at Springfield, Illinois, this twenty-eighth day of October, 1918.

In re APPLICATION OF STARK COUNTY TELEPHONE COMPANY FOR AUTHORITY TO ISSUE ITS COMMON CAPITAL STOCK.

Case No. 7875.

Decided October 28, 1918.

Issue of Stock, to Replace Stock Issued to Reimburse Treasury for Money Expended for Improvements without Consent of Commission, Authorized.

(OPINION AND ORDER.

The above-entitled cause came on for hearing upon the application of the Stark County Telephone Company for

authority to issue its capital stock in the aggregate amount of \$6,200, being 248 shares of stock of the par value of \$25.00 each.

The petitioner appeared at said hearing and presented its evidence, and upon consideration thereof it appears to the Commission that the petitioner, the Stark County Telephone Company, is a corporation organized under the laws of this State and engaged in the telephone business, with its principal place of business at Toulon, Stark County, Illinois, and is a public utility and within the jurisdiction of this Commission.

It also appears from the evidence that on or about February 1, 1916, the petitioner issued, without the consent of this Commission, 248 shares of its capital stock at the par value of \$25.00 each. It further appears that the proceeds derived from the sale of said stock was issued by the petitioner in reimbursing the treasury for money expended from income in the acquisition of property and for the construction, extension and addition to the facilities of the petitioner.

The petitioner now desires authority to issue 248 shares of its capital stock of the par value of \$25.00 each, to be used in replacing the stock issued, as aforesaid, without the consent of the Commission.

The Commission, having considered the application filed herein, and the evidence introduced in support thereof, and being fully advised in the premises, is of the opinion that the prayer of the petition filed herein should be granted.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Stark County Telephone Company be, and it hereby is, authorized to issue its common capital stock in the aggregate amount of \$6,200, being 248 shares of the par value of \$25.00 each.

Section 2. That the stock herein authorized to be issued shall be used in taking up and retiring a like amount of stock now outstanding which was issued by the petitioner

C. L. 85]

on or about February 1, 1916, without the consent of the Commission, as aforesaid.

Section 3. That the Stark County Telephone Company shall, before the issue and delivery of said shares of stock herein authorized, cause to be printed, stamped or engraved on the face of each of said certificates for the proper and easy identification thereof, the following:

“ PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 725.
October, 1918.”

Section 4. That the Stark County Telephone Company shall keep true and accurate accounts showing the issue and disposition of the stock herein authorized and said company shall, within sixty days from the date of this order, make a verified report, in duplicate, to the Commission showing the issue and disposition of said stock and the retirement and cancellation of the certificates of stock heretofore issued without the consent of the Commission, as aforesaid.

By order of the Commission, at Springfield, Illinois, this twenty-eighth day of October, 1918.

In re APPLICATION OF VIRDEN HOME TELEPHONE COMPANY
FOR AN ORDER AUTHORIZING AN INCREASE IN RATES AT
VIRDEN AND VICINITY.

Case No. 8129.

Decided October 28, 1918.

**Increase in Rates With Prompt Payment Discount Authorized — Magneto
Telephones Carried in Stock not Included in Reproduction Cost**
New Value — 6.4 Per Cent. Fixed for Reserve for
Depreciation — 5.3 Per Cent. Allowed as Rate
of Return.

Applicant sought authority for an increase in rates. The company's appraisal was checked by the Commission's engineers and the cost of reproduction new, using average prices for labor and material for the five-year period 1912-1916, inclusive, and including the present stock of materials

and supplies, was found to be \$64,473, and the reproduction cost new, less depreciation, to be \$64,472. The annual depreciation was estimated upon an actual normal life basis to be \$3,889. Including an allowance adequate to provide a proper reserve for depreciation as fixed by the Commission's engineers, the average result of operation for the years 1915, 1916, and 1917 was a deficit of approximately \$800. The proposed rates will give an annual increase of \$4,000 and will assure a return over expenses of approximately \$3,198, or 5.3 per cent.

Held: That the increase in rates, with a prompt payment discount, should be authorized;

That the item listed by the company as non-operating property, representing the stock of magneto telephones which had been displaced by the company and taken out of service in Virden, and which were carried in stock for rehabilitation and installation at other points, should not be included in the reproduction cost new of the property, as this abnormally large stock of magneto telephones was carried at Virden merely as a matter of convenience, and could not properly be considered as a part of the normal stock of materials and supplies necessary for the furnishing of service;

That a fair value of the property used and useful in furnishing service and the business attached thereto, including every element of value, tangible and intangible, and making due allowance for the necessary working capital and present stock of materials and supplies, as of June 1, 1918, should be estimated at \$60,000;

That a sum equal to 6.4 per cent. of the cost of reproduction new should be set aside annually to provide a reserve for depreciation.

OPINION AND ORDER.

A revised schedule of telephone rates for Virden and vicinity having been filed by the Virden Home Telephone Company, of Virden, Macoupin County, Illinois, and a hearing before the Commission on the matter being necessary, an order was entered, suspending the placing in effect of the proposed rates until October 28, 1918. The present rates in Virden and vicinity are as follows:

C. L. 85]

	<i>Per Month</i>
Business or residence, metallic line, within one mile from the central office	\$1 25
Business or residence, metallic line, beyond one mile from central office	1 50
Business or residence, grounded line, within one and one-half miles from central office	1 00
Churches, hospitals and other charitable institutions, metallic line	1 25
Churches, hospitals and other charitable institutions, grounded line	1 00
Extension telephones	50
Extension bells	15
Party line rural telephones	1 25
Listing extra name in directory	50
Telephones for use of city, not exceeding two in number, as provided by ordinance granting franchise.....	Free
Rural switching	25

The schedule filed proposes to discontinue the rates now in effect and to establish in lieu thereof the following:

	<i>Per Year</i>
Individual line, business telephone.....	\$36 00
Two-party line, business telephone.....	30 00
Individual line, residence telephone.....	24 00
Two-party line, residence telephone.....	21 00
Four-party line, residence telephone.....	18 00
Business extension telephone.....	6 00
Residence extension telephone.....	6 00
Extension bells, business or residence.....	3 00
Extra listing of name in directory.....	3 00
Desk telephones in residence, in addition to regular rates....	1 80
Lodges, club rooms, public and parochial schools, churches, hospitals and other charitable institutions are classified as residences.	
Private branch exchange trunk.....	33 00
Private branch exchange switchboard.....	24 00
Private branch exchange telephone.....	6 00
Extra mileage for line extending beyond established exchange area:	
Individual line, per quarter mile or fraction thereof.....	4 00
Two-party line, per quarter mile or fraction thereof, for each subscriber	2 25
Party line rural telephones.....	21 00
Party line rural service stations.....	7 00

Service to Girard, Illinois, not to exceed three messages of three minutes each in any one day from any telephone, is included in exchange rate. Additional messages and overtime on all messages shall be paid for at regular toll rates.

A discount of 25 cents per month applies to the rates for business and residence telephones, exclusive of extension telephones, if payment is made monthly on or before the fifteenth day of the current month.

A discount of 25 cents per month applies to the rates for rural party line telephones if payment is made quarterly on or before the fifteenth day of the second month of the current quarter.

A discount of 25 cents per quarter applies to the rates for rural service stations if payment is made quarterly on or before the fifteenth day of the second month of the current quarter.

The matter came on for hearing before the Commission on June 5, 1918. The Virden Home Telephone Company was represented by *Ben. B. Boynton*, attorney, and the city of Virden by *James H. Murphy*, attorney. The company introduced, as exhibits, an inventory and appraisal of plant, its annual revenue and expense statements for the three years ending on December 31, 1915, 1916, and 1917, respectively, and proof of publication of a notice of intention to apply for an advance in rates. This testimony tends to show that the rates now in effect do not provide sufficient revenue to cover operating expenses, provide adequate reserve against depreciation and pay a reasonable return.

On June 1, 1918, the company was furnishing service to telephone stations classified and distributed as follows:

Business, individual line, stations.....	101
Business, two-party line, stations.....	7
Residence, individual line, stations.....	104
Residence, two-party line, stations.....	218
Residence, four-party line, stations.....	89
Rural party line, stations.....	170
Switching service stations.....	119
	<hr/>
	808

During the year 1917 the plant in the city of Virden and vicinity was entirely rebuilt and changed from the magneto type of plant to a modern common battery system. In the

C. L. 85]

original magneto plant a portion of the circuits to subscribers were of the grounded type, using one wire and the earth for a return circuit. When the plant was rebuilt all of the city circuits were changed to metallic circuits and equipped with common battery instruments. The company is still furnishing switching service to several rural circuits which are of the grounded type.

Changes in methods of operation and in equipment, involving not only the installation of a new switchboard, the stringing of new lines and installation of new telephones, but also radical changes in operating methods, gave rise to a considerable number of service complaints and an investigation was made by the Commission's engineers to determine the character of service actually furnished. It was found that the complaints were justified, from the subscribers' standpoint, and, on demand by the city of Virden, a supplementary hearing was held.

The hearing was held on September 10, 1918, the Virden Home Telephone Company being represented by *Mr. O. M. Burgess*, and the city of Virden by *Mr. James H. Murphy*. Testimony shows that the unsatisfactory character of the service was due to conditions which were then being remedied by the telephone company, and which involved the entire replacement of the operating force, as well as modifications of some features of the equipment in the central office.

The inventory and appraisal submitted by the company has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, using average prices for labor and material for a five-year period 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$64,473. The reproduction cost new, less depreciation, including the present stock of materials and supplies, is \$64,472.

These values do not include an item listed by the company as non-operating property, the reproduction cost new of which is \$2,217. This item represents the stock of magneto telephones which were displaced and taken out of service

in Virden, and which are carried in stock by the telephone company for rehabilitation and installation at other points. The fact that this abnormally large stock of magneto telephones is carried at Virden, therefore, is a matter of convenience only, and such a stock of magneto telephones may not properly be considered as a part of the normal stock of materials and supplies necessary for the furnishing of telephone service in a common battery plant such as Virden.

In connection with the inventory of the physical portion of the plant, the Commission's engineers assigned normal lives to its several component parts. These normal lives were compiled into a table, from which the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$3,839. The average operating expense for the years 1915, 1916 and 1917, including an average annual allowance of \$703 made to provide a reserve against depreciation, is \$7,767. The average total operating revenue for the same period is \$12,181. Exclusive of bond interest, the average expenditure for taxes, interest on notes and miscellaneous expenses for the years 1915, 1916 and 1917 is \$2,080. Including an allowance adequate to provide a proper reserve for depreciation, as fixed by the Commission's engineers, the average operating result, therefore, for the years 1915, 1916 and 1917, is a deficit of approximately \$800.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, and making due allowance for the necessary working capital and present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Virden and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, is at least \$60,000 as of June 1, 1918.

The Commission is also of the opinion, and finds after careful consideration, that a sum equal to 6.4 per cent. of the cost to reproduce the entire physical property, based

C. L. 35]

upon an average for labor and material for the five-year period from 1912 to 1916, inclusive, should be set aside annually to provide a reserve for depreciation.

Should the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rate schedule, the present annual operating revenue will be increased approximately \$4,000. Including a proper allowance to provide an adequate depreciation reserve, as determined by the Commission, this will assure a return, over all expenses, of approximately \$3,198, which is 5.3 per cent. of the fair value of the property fixed as a basis for rate-making.

It is, therefore, ordered, That the Virden Home Telephone Company be, and the same hereby is, authorized to discontinue the schedule of rates now in effect and to substitute therefor the following:

	<i>Per Year</i>
Individual line, business telephones.....	\$36 00
Two-party line, business telephones.....	30 00
Individual line, residence telephones.....	24 00
Two-party line, residence telephones.....	21 00
Four-party line, residence telephones.....	18 00
Business extension telephones.....	6 00
Residence extension telephones.....	6 00
Extension bells, business or residence.....	3 00
Extra listing of name in directory.....	3 00
Desk telephones in residence, in addition to regular rates.....	1 80
Lodges, club rooms, public and parochial schools, churches, hospitals and other charitable institutions are classified as residences.	
Private branch exchange trunk.....	33 00
Private branch exchange switchboard.....	24 00
Private branch exchange telephones.....	6 00
Extra mileage for line extending beyond established exchange area:	
Individual line, per quarter mile or fraction thereof.....	4 00
Two-party line, per quarter mile or fraction thereof, for each subscriber	2 25
Party line rural telephones.....	21 00
Party line rural service stations.....	7 00

Service to Girard, Illinois, not to exceed three messages of three minutes each in any one day from any telephone, is included in exchange rate.

Additional messages and overtime on all messages shall be paid for at regular toll rates.

A discount of 25 cents per month applies to the rates for business and residence telephones, exclusive of extension telephones, if payment is made monthly on or before the fifteenth day of the current month.

A discount of 25 cents per month applies to the rates for rural party line telephones if payment is made quarterly on or before the fifteenth day of the second month of the current quarter.

A discount of 25 cents per quarter applies to the rates for rural service stations if payment is made quarterly on or before the fifteenth day of the second month of the current quarter.

It is further ordered, That the Virden Home Telephone Company set aside annually, as a reserve against depreciation, a sum equal to 6.4 per cent. of the cost to reproduce the entire physical property, based upon an average for labor and material for the five-year period, 1912 to 1916, inclusive.

It is further ordered, That the Virden Home Telephone Company, within thirty days from the date of this order, make such further changes and modifications in operating routine and methods in its system at Virden as may be necessary in order to comply with the standards of telephone service established by the Public Utilities Commission, as embodied in General Order No. 23* (Conference Ruling No. 18).

It is further ordered, That the Virden Home Telephone Company notify the secretary of the Public Utilities Commission, in writing, within five days after it has fully complied with the requirements of this order as to the improvement in telephone service.

It is further ordered, That the schedule of telephone rates authorized herein shall be filed, posted and published by the Virden Home Telephone Company in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28† (Conference Ruling No. 23) of the Public

* See Commission Leaflet No. 42, p. 16.

† See Commission Leaflet No. 54, p. 21.

C. L. 85]

Utilities Commission of Illinois; that it shall be designated as I. P. U. C. No. 1, and shall become effective as of October 28, 1918.

By order of the Commission, at Springfield, Illinois, this twenty-eighth day of October, 1918.

In re APPLICATION OF BLUE MOUND TELEPHONE COMPANY
FOR AUTHORITY TO CHANGE RATES FOR SERVICE IN BLUE
MOUND AND VICINITY, MACON COUNTY.

Case No. 8167.

Decided October 28, 1918.

**Increase in Rates Authorized — 5.8 Per Cent. Allowed as Rate of
Return — 6.7 Per Cent. Fixed for Reserve for Depreciation —
Toll Revenues Included in Local Revenues in View
of Small Toll Plant Owned.**

Applicant sought authority to increase its present schedule of rates by from 20 per cent. to 60 per cent. The company's appraisal was checked by the Commission's engineers, and the reproduction cost new of the plant, including a small portion devoted exclusively to toll service, using unit prices based upon averages for labor and material for the five-year period, 1912 to 1916, inclusive, and including a stock of materials and supplies, was found to be \$39,454, and the cost of reproduction new, less depreciation, to be \$29,470. The reproduction cost new of that portion of the plant devoted exclusively to toll service was \$1,509, and the reproduction new less depreciation was \$1,151. The annual depreciation upon a normal life basis was estimated by the Commission's engineers to be \$2,552 on the exchange portion of the plant, and \$111 on the toll plant, giving a total of \$2,663. The present rates, both toll and local, produced a net income of \$1,310, including the annual allowance for depreciation as fixed by the Commission's engineers. Under proposed rates the operating revenues, including toll, which amounted to 54 per cent. of the net income, would be increased approximately \$1,623, giving a net return over all expenses of \$2,933.

Held: That the proposed rates would yield a return of 8.4 per cent. of the fair property value, which amount was not justified, and a schedule of rates as set forth by the Commission should be authorized to become effective, such schedule producing an annual return of \$2,036, or 5.8 per cent.

That a sum equal to 6.7 per cent. of the reproduction cost new should be set aside annually to provide a reserve for depreciation;

That since the company owned very little long distance or toll plant, the annual revenue derived from long distance service should properly be included in local operating revenues;

That the fair value of the property, used and useful in furnishing service, and the business attached thereto, including every element of value, tangible and intangible, and making due allowance for necessary working capital, as of April 16, 1918, was estimated to be \$34,970.

OPINION AND ORDER.

On May 17, 1918, the Blue Mound Telephone Company filed a revised schedule of rates for telephone service in Blue Mound, Macon County, Illinois, and vicinity. A hearing on the matter being necessary, an order was entered on June 5, 1918, suspending the placing in effect of the proposed rates until October 28, 1918. The present rates in Blue Mound and vicinity are as follows:

	<i>Per Year</i>
Business stations, individual line.....	\$15 00
Residence stations, individual line.....	15 00
Rural stations, party line.....	15 00

The schedule filed proposes to discontinue the rates now in effect and to place in effect, in lieu thereof, the following:

	<i>Per Year</i>
Business, individual line, stations (city).....	\$24 00
Residence, individual line, stations (city).....	18 00
Business or residence extension telephone stations.....	6 00
Extension bells	3 00
Extra mileage for line extending beyond established exchange area, four-party, each quarter mile or fraction thereof, per line.	2 00
Rural, individual line, business stations.....	24 00
Rural, multi-party line, stations.....	18 00

The matter came on for a hearing before the Commission on June 18, 1918. The Blue Mound Telephone Company was represented by *Mr. Ben. B. Boynton*, attorney, Springfield, Illinois, and no objectors to the proposed rates appeared. The company introduced, as exhibits, revenue

C. L. 85]

and expense statement for the year ending December 31, 1917, an inventory and appraisal of the property involved, and proof of publication, as required by law, of the proposed advance in rates.

Testimony as offered states that the rates now in effect do not provide revenue sufficient to cover operating expenses, provide adequate reserve against depreciation, and pay a reasonable return. The service furnished is classified as follows, and includes the operation of approximately 427 telephone stations:

Business stations, individual line.....	40
Residence stations, individual line.....	128
Rural stations, individual line, business.....	7
Rural stations, multi-party line.....	252
TOTAL	427

The system in use is of the magneto type, with metallic circuits to the subscribers' stations. The inventory of plant, as filed, has been checked and the checked inventory appraised by the Commission's engineers. The cost to reproduce the physical portion of the property new, including a small portion devoted exclusively to toll, using unit prices based upon averages for labor and material for the five-year period, 1912 to 1916, inclusive, and the stock of materials and supplies, was found to be \$39,454, and the cost to reproduce new, less depreciation, \$29,470. The reproduction cost new of that portion of the plant devoted exclusively to toll service, is \$1,509 and the reproduction cost new, less depreciation, \$1,151.

In connection with the inventory of the physical portion of the plant, the Commission's engineers assigned normal lives to its several component parts. These were compiled into a table, from which the value of the annual depreciation now occurring in the exchange portion of the plant was found to be \$2,552, and in the toll plant \$111, a total of \$2,663, which is 6.7 per cent. of the cost to reproduce the entire physical property, based upon an average for labor and material for the five-year period, 1912 to 1916, inclusive.

The total annual operating expense, including taxes paid, for the year ending December 31, 1917, as shown by the record, was \$6,294.22. There is no method of effecting a separation between the local operating expense and expense chargeable exclusively to the toll plant. This amount includes an allowance to provide reserve against depreciation of \$2,400, while the proper annual allowance for this purpose, in the entire plant, as determined by the Commission's engineers, is \$2,663. On this basis the annual operating expenses for the year ending December 31, 1917, are approximately \$6,557.22.

The record shows that the Blue Mound Telephone Company owns very little long distance or toll plant and the annual revenue derived from long distance service furnished may properly be included, for that reason, in local operating revenues.

The rates now in effect produced, for the year ending December 31, 1917, an operating revenue, including toll and miscellaneous, of approximately \$7,867, resulting in an operating profit, on the basis of actual expenses, including the annual allowance for depreciation as fixed by the Commission's engineers, of \$1,310.

After carefully considering the method of appraising the plant and taking into consideration every fact and circumstance bearing upon its value, making due allowance for necessary working capital, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Blue Mound and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, is \$34,970 as of April 16, 1918. The net income produced by the present rates, both toll and local, \$1,310 per annum, is approximately 3.7 per cent. of this value of the property.

Should the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rates, the total annual operating revenue, including toll, will be increased approximately \$1.623.

C. L. 85]

Including a proper allowance to provide a reserve against depreciation in the operating expense, this will assure a return, over all expenses, of approximately \$2,933, which is 8.4 per cent. of the fair property value as a basis for rate-making.

This comprises the net return from local service and miscellaneous sources, plus the toll revenue. The annual toll revenue, \$1,616.27, is more than 54 per cent. of the total net income. Since the plant devoted exclusively to toll service is a small portion of the entire property, approximately 3 per cent., the toll revenue is, in fact, almost wholly, an additional return upon the operations of the exchange property. The proposed rates, since they will increase the annual net return to approximately 8.4 per cent. of the fair value of the property for rate-making, exclusive of the allowance to provide an adequate reserve for depreciation, are not justified.

After carefully considering the matter and giving due weight to all factors involved, the Commission is of the opinion, and finds, that a modification of the proposed schedule of rates for telephone service, as given below, will produce an annual return of approximately \$2,036, which is 5.8 per cent. of the fair value of the property fixed for rate-making purposes:

	<i>Per Year</i>
Business, individual line, stations (city).....	\$21 00
Residence, individual line, stations (city).....	18 00
Business or residence extension telephone stations.....	6 00
Extension bells	3 00
Extra mileage, for line extending beyond established exchange area, four-party, each quarter mile or fraction thereof, per line	2 00
Rural, individual line, business stations.....	21 00
Rural, multi-party line, stations.....	15 00

The Commission is also of the opinion, and finds, after careful consideration, that a sum equal to 6.7 per cent. of the cost to reproduce the entire physical property, based upon an average for labor and material for a five-year

period, 1912 to 1916, inclusive, should be set aside annually to provide a reserve against depreciation.

It is, therefore, ordered, That the Blue Mound Telephone Company be, and the same hereby is, authorized to discontinue the schedule of rates now in effect and to substitute therefor the following:

	<i>Per Year</i>
Business, individual line, stations (city).....	\$21 00
Residence, individual line, stations (city).....	18 00
Business or residence extension telephone stations.....	6 00
Extension bells	3 00
Extra mileage, for line extending beyond established exchange area, four-party, each quarter mile or fraction thereof, per line	2 00
Rural, individual line, business stations.....	21 00
Rural, multi-party line, stations.....	15 00

It is further ordered, That the Blue Mound Telephone Company set aside annually, as a reserve against depreciation, a sum equal to 6.7 per cent. of the cost to reproduce the entire physical property, based upon an average for labor and material for the five-year period, 1912 to 1916, inclusive.

It is further ordered, That the new schedule of telephone rates authorized herein shall be filed, posted and published by the Blue Mound Telephone Company in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23) of the Public Utilities Commission of Illinois; that it shall be designated I. P. U. C. No. 1, and shall become effective as of November 1, 1918.*

By order of the Commission, at Springfield, Illinois, this twenty-eighth day of October, 1918.

* See Commission Leaflet No. 54, p. 21.

In re APPLICATION OF NATIONAL TELEPHONE AND ELECTRIC
COMPANY OF CLINTON FOR AN ORDER AUTHORIZING THE
ISSUE OF PREFERRED STOCK, FIRST MORTGAGE BONDS,
SECOND MORTGAGE BONDS, ETC.

Case No. 8229.

Decided October 28, 1918.

**Issue of 7 Per Cent. Preferred Stock at Par Authorized — Issue of
6 Per Cent. Twenty-Year First Mortgage Bonds at 10 Per Cent.
Discount Authorized — Issue of 6 Per Cent. Seventeen-Year
Second Mortgage Bonds at 10 Per Cent. Discount Author-
ized — Value of Abandoned Plant Authorized Amor-
tized — Discount and Expenses Incurred in Sale
of Bonds Authorized Amortized or Charged
to Profit and Loss.**

Held: That applicant should be authorized to issue its 7 per cent. preferred stock in the sum of \$225,000 to be sold at not less than par;

That applicant should be authorized to issue its 6 per cent. twenty-year first mortgage bonds in the sum of \$12,000, redeemable at the end of five years, or at any interest paying date, to be sold at not less than 90 per cent. of the par value; and to issue its 6 per cent. seventeen-year second mortgage bonds in the sum of \$100,000, redeemable at the end of five years or any interest paying date, to be sold at not less than 90 per cent. of the par value; the proceeds from the sale of these bonds to be used in rehabilitating the plant;

That the value of the abandoned plant, or \$53,967.19, should be amortized at the rate of 5 per cent. per year for twenty years, and the company should retire and cancel each year stocks and bonds equal to 1/20 of the sum, but not to the extent that expenditures are made for new construction, extensions, improvements or additions;

That all discounts, commissions and expenses incurred in the issue of the bonds should be authorized to be amortized out of the income of the company by equal annual installments sufficient to amortize the entire sum before January 1, 1935, but the applicant might at any time at its option charge the entire amount remaining unamortized to profit and loss.

OPINION AND ORDER.

The application filed herein states that the National Telephone and Electric Company, of Clinton, Illinois, is a public utility, engaged in the operation of a telephone system in Clinton, Farmer City, Mansfield, Weldon, Ken-

ney and Waynesville, Illinois, and vicinities, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities.

The application asks for an order authorizing the issue by the National Telephone and Electric Company of its 7 per cent. preferred stock in the aggregate amount of \$225,000; of its first mortgage 6 per cent. gold bonds in the aggregate amount of \$12,000, par value, each of said bonds bearing date of January 1, 1915, and maturing January 1, 1935, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and secured by a first mortgage or deed of trust to George B. Marvel, as trustee, and redeemable at the end of five years from the date thereof, or at any interest paying date thereafter, at par and accrued interest; and of its second mortgage 6 per cent. gold bonds in the aggregate amount of \$100,000, par value, each of said bonds being of the par value of \$500, dated January 1, 1918, and maturing January 1, 1935, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and secured by a second mortgage or deed of trust to George B. Marvel, as trustee, and redeemable at the end of five years from the date thereof, or at any interest paying date thereafter, at par and accrued interest, and consenting to, and approving, the execution of its second mortgage or deed of trust to George B. Marvel, as trustee, to secure the said second mortgage bonds. The \$12,000, par value, first mortgage 6 per cent. gold bonds is the unissued portion of the \$100,000, par value, first mortgage 6 per cent. gold bonds authorized by this Commission's order No. 3274.

This matter came on for hearing before the Commission on June 20, 1918. The National Telephone and Electric Company was represented at the hearing by *Mr. B. B. Boynton* and *Mr. O. B. Cheadle*, attorneys. The petitioner having introduced at said hearing such testimony and evidence as it considered necessary to fully present the matter to the Commission, and having furnished such information in regard to the application as the Commission required,

C. L. 85]

and the Commission having carefully considered the application, the exhibits introduced in connection therewith, and the testimony presented at the hearing, and being fully advised in the premises, finds as follows:

1. That the National Telephone and Electric Company was incorporated under the laws of the District of Columbia October 1, 1904, for the purpose of carrying on a general telephone business in the cities of Clinton, Farmer City, Mansfield, Weldon, Kenney and Waynesville and vicinities; that it is a public utility within the meaning of Section 10, Article 1 of an Act to Provide for the Regulation of Public Utilities, now in force in Illinois; that it is engaged in the operation of a telephone system; that its authorized capital stock is \$100,000, all of which is outstanding; that it was authorized by this Commission, in Case No. 3274, to issue its first mortgage 6 per cent. gold bonds in the amount of \$88,000 under its first mortgage dated as of the first day of January, 1915, to secure an issue of \$100,000 of said bonds, and that of said amount the petitioner has issued bonds in the amount of \$83,500, par value.

2. That owing to the depreciated condition of the property, it is now necessary to secure funds with which to rebuild, rehabilitate, and extend it in order that the National Telephone and Electric Company, the petitioner, may be enabled to serve the communities in which it is operating with a more satisfactory standard of telephone service. Also, that the present condition of the plant of the National Telephone and Electric Company, with the exception of that portion of the plant found in Waynesville and vicinity, is in such condition, due to neglected maintenance, that it is practically impossible to effect temporary repairs adequate to render possible the character of telephone service required by the standard of service rules of this Commission.

3. That the petitioner, the National Telephone and Electric Company, has made a thorough engineering survey of the essential necessary construction required to rehabilitate the plant and to make immediate extensions as such

are required and has filed a detailed report with maps, showing that the funds required to be realized from the proposed issue of securities, if authorized, are as follows:

For construction, extension or improvement of, or addition to facilities	\$283,532 81
For replacements of worn out, inefficient and obsolete equipment	53,967 19
TOTAL	\$337,500 00

This estimate has been checked by the engineering department of the Commission and has been found to reasonably cover the present day cost of the construction deemed necessary. The engineering plans presented by the petitioner at the hearing have also been checked and have been found to be conservative and reasonably well prepared. The engineering scheme submitted by the petitioner includes practically the entire rehabilitation of the plant, and it appears that the completion of the proposed rehabilitation of said plant will accord with the public interest in that adequate telephone service in the communities above-mentioned will thus be made possible.

4. The engineering plan submitted by the petitioner involves the replacement of certain portions of the plant now carried on the books of the company at a total valuation of \$63,466.83, as authorized by this Commission in Case No. 3274. In the plant so replaced there is an estimated salvage value of \$9,499.64, leaving a net charge to depreciation, provided this portion of the plant is replaced, of \$53,967.19. The petitioner, the National Telephone and Electric Company, also asks that authority be given to amortize the total amount of this net charge to depreciation, \$53,967.19, over a period of twenty years, by retiring annually stock or bonds, or both stock and bonds, equal to one-twentieth of said total amount, or by adding to the plant each year the same amount in permanent construction not to be capitalized and not included in the construction covered by the estimate submitted.

C. L. 85]

5. That the preliminary steps for the issuance of the 7 per cent. preferred stock in the aggregate amount of \$225,000 have been taken at a meeting of the stockholders of the company called for that purpose.

The Commission, having given due consideration to the evidence offered and exhibits filed at the hearing, and being fully advised in the matter, is of the opinion, and finds, that the issuance by the said National Telephone and Electric Company of its 7 per cent. preferred stock in the aggregate amount of \$225,000; its first mortgage 6 per cent. gold bonds in the aggregate amount of \$12,000; and its second mortgage 6 per cent. gold bonds in the aggregate amount of \$100,000, are reasonably necessary to secure funds with which to rehabilitate its plant (in accordance with the estimates shown in TABLE I. hereinafter set forth), and to prevent a breakdown of the telephone service in the communities in which it operates.

TABLE I.
Estimated Cost of Replacements, Additions and Extensions, Salvage from Old Plant Dismantled, Plant Dismantled, Net Expenditures, Net Charge* to Depreciation and Capital Account.

	Total Expenditures	Plant Displaced	Salvage	Net Expenditures	Net Charge to Depreciation	Net Charge to Capital Account
Clinton city plant.....	\$116,525 97	\$18,222 95	\$5,402 47	\$111,123 50	\$12,820 48	\$98,303 02
Clinton rural plant.....	69,378 03	10,905 78	.....	69,378 03	10,905 78	58,472 25
Farmer City city plant.....	44,354 98	9,524 45	3,576 22	40,778 76	5,948 23	34,830 53
Farmer City rural plant.....	35,727 03	9,581 21	.....	35,727 03	9,581 21	26,145 82
Mansfield city plant.....	9,483 85	1,598 00	179 65	9,304 20	1,418 35	7,885 85
Mansfield rural plant.....	13,419 22	3,784 92	.....	13,419 22	3,784 92	9,634 30
Weldon city plant.....	9,822 01	1,194 31	212 83	9,609 18	981 48	8,627 70
Weldon rural plant.....	20,300 55	4,772 08	.....	20,300 55	4,772 08	15,528 47
Kenney city plant.....	6,072 82	738 39	82 07	5,990 75	656 32	5,334 43
Kenney rural plant.....	11,556 83	622 15	.....	11,556 83	622 15	10,934 68
Wayneville city plant.....	6,982 24	630 06	46 40	6,935 84	583 66	6,352 18
Wayneville rural plant.....	16,191 39	1,912 53	.....	16,191 39	1,912 53	14,278 86
	\$359,814 92	\$63,406 83	\$9,499 64	\$350,315 28	\$53,967 19	*\$296,348 09

* A slight error is apparent.

C. L. 85]

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the petitioner, the National Telephone and Electric Company be, and it hereby is, authorized to issue its 7 per cent. preferred stock in the aggregate amount of \$225,000; its first mortgage 6 per cent. gold bonds in the aggregate amount of \$12,000, par value, each of said bonds bearing date as of January 1, 1915, and maturing January 1, 1935, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and secured by a first mortgage or deed of trust to George B. Marvel, as trustee, and redeemable at the end of five years from the date thereof, or at any interest paying date thereafter, at par and accrued interest; and its second mortgage 6 per cent. gold bonds in the aggregate amount of \$100,000, par value, each of said bonds being of the par value of \$500, dated as of January 1, 1918, and maturing January 1, 1935, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and secured by a second mortgage or deed of trust to George B. Marvel, as trustee, and redeemable at the end of five years from the date thereof, or at any interest paying date thereafter, at par and accrued interest.

Section 2. That the petitioner, the National Telephone and Electric Company, shall sell said preferred stock herein authorized, for cash, at not less than the par value thereof; it shall sell the first and the second mortgage bonds authorized by this order, for cash, at not less than 90 per cent. of the par value thereof, plus accrued interest, and the proceeds derived from the sale of said bonds shall be used only for the purpose of rehabilitating the telephone plant of the petitioner, as hereinabove outlined.

Section 3. That the plant and equipment accounts of the petitioner shall be reduced by crediting thereto the sum of \$53,967.19, being the accrued depreciation at the present time, on that portion of the plant which is to be rehabilitated; that Account No. 107, Other Debit Accounts, shall be concurrently charged with a like amount, which amount shall be amortized out of the income of the said National

Telephone and Electric Company over a period of twenty years by a charge to Account No. 604, Other Maintenance Expenses, each year of an amount equal to one-twentieth of said total amount; that the company may at any time before the expiration of the twenty years, charge to profit and loss, the total amount remaining unamortized; that the company shall retire and cancel each year, outstanding stock or bonds, or both stock and bonds, equal to one-twentieth of \$53,967.19, *provided*, however, that it shall not be required to retire and cancel stock or bonds, or both stock and bonds, to the extent that expenditures are made for new construction, extensions, improvements or additions to its property, during such year (other than those expenditures included in the rehabilitation plan submitted in this case).

Section 4. That all discounts, commissions and expenses incurred in the issue and sale of the first mortgage 6 per cent. gold bonds and the second mortgage 6 per cent. gold bonds herein authorized shall be amortized out of the income of the company by equal annual installments sufficient to amortize the entire sum before January 1, 1935; but the petitioner may at any time at its option charge the entire amount remaining unamortized to profit and loss.

Section 5. That the petitioner, the National Telephone and Electric Company, shall keep separate, true and accurate accounts showing the receipt and application, in detail, of the proceeds of the sale or disposal of the stock and bonds hereby authorized to be issued by it, and at the end of every sixty days from the date hereof, shall make verified report to this Commission stating the amount of the stock and bonds issued, the terms and conditions of sale or disposal, the moneys realized therefrom, and the use and application of such moneys; and the accounts, vouchers and records of said company, in connection therewith, shall be open to audit and may be examined from time to time by accountants and examiners designated for that purpose by the Public Utilities Commission of Illinois.

C. L. 85]

Section 6. That the petitioner, the National Telephone and Electric Company, before the delivery of the stock and bonds hereby authorized to be issued by it, shall cause to be printed, stamped or engraved on the face of each of said stock certificates and each of said bonds, for the proper and easy identification thereof, the following:

"PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 728.
October, 1918."

Section 7. That the petitioner, the National Telephone and Electric Company be, and it hereby is, authorized to execute and deliver a second mortgage or deed of trust on all of its property to George B. Marvel, as trustee, to secure the second mortgage bonds above-mentioned, said mortgage or trust deed to be substantially in accordance with the form submitted with the application herein marked Exhibit B.

Section 8. That within ten days after service upon it of a copy of this order, the petitioner, the National Telephone and Electric Company, shall notify the Public Utilities Commission of Illinois whether the terms of this order are accepted and will be obeyed.

It is further ordered, That the petitioner, the National Telephone and Electric Company, be, and it is hereby, charged an amount equal to 10 cents for every \$100, par value, of the bonds authorized by this order to be issued, and the same shall be paid into the State Treasury before any of said bonds shall be issued.

By order of the Commission, at Springfield, Illinois, this twenty-eight day of October, 1918.

In re JOINT APPLICATION OF CENTRAL ILLINOIS INDEPENDENT TELEPHONE COMPANY AND FARMERS MUTUAL TELEPHONE COMPANY OF LOSTANT FOR APPROVAL OF INTER-CORPORATE CONTRACT.

Case No. 8243.

Decided October 28, 1918.

**Toll Rates Equal to Those of Competing Parallel Line Authorized —
Interexchange Messages Restricted to One of Two Possible Routes
— Division of Toll Revenue Prescribed — Toll Charges Additional to Regular Rates on Messages from or to Company in same Town Physically Connected with Exchange having
Long Distance Connections Authorized — Amount of Preferential Tariff Agreed upon by Companies not Passed upon by Commission
— Division of Such Tariff Prescribed — Physical Connection Restricted to Toll Business.**

The Central Illinois Independent Telephone Company, having exchanges at Wenona and Lostant, and Farmers Mutual Telephone Company, having an exchange at Lostant, sought an order approving a contract between them covering the handling of toll telephone messages between the exchange system of the Farmers Mutual company and combined telephone systems in Wenona; also an order covering the establishment of a preferential tariff on toll messages between points reached by the system of the Central Illinois company and connecting companies, except at Wenona, and the system of the Farmers Mutual company at Lostant.

The Farmers Mutual company owns jointly with the Wenona Telephone Company a toll line between Wenona and Lostant. The Central Illinois company has been authorized* to purchase the property of the Wenona company. The consolidation of the competing systems at Wenona will afford the Farmers company a choice of two routes for toll messages from Lostant to Wenona, one over the jointly owned toll line now terminating in the present exchange of the Wenona company, and the other by means of a physical connection at Lostant, through the two exchanges of the Central Illinois company at Lostant and Wenona, together with its connecting toll circuits.

Held: That the present jointly owned toll line between the exchange of the Farmers company at Lostant and the present exchange of the Wenona company, upon the completion of the proposed consolidation

* See *infra*, p. 349.

C. L. 85]

of the competing systems in Wenona, would afford adequate facilities for handling toll messages between the lines of the Farmers Mutual company at Lostant and Wenona, and that the toll rate for messages between these two points, routed via this jointly owned circuit, should properly be made equal to the present rate charged by the Central Illinois company for messages between the same points over its toll circuits;

That such present jointly owned toll line should be used exclusively for toll messages terminating in Wenona and Lostant and originating or going to the Farmers company's line, and for messages routed via this line of not more than 3 minutes' duration a toll rate of 10 cents should be established, with an additional charge of 5 cents for each additional 2 minutes, 25 per cent. of the entire toll charge on each message to be paid to the company upon whose lines the message originated, the balance to be divided in proportion to the mileage in the jointly owned toll circuit owned by each;

That on all toll messages originating on the lines of the Central Illinois company and connecting companies from points other than Wenona and Lostant, routed via Lostant to the lines of the Farmers company, there should be charged in addition to the present regular toll rates between Lostant and the other points connected, 5 cents on all messages originating at points less than 50 miles distant, 10 cents on all messages originating at points less than 100 or more than 50 miles distant, and 15 cents on all messages originating at points more than 100 miles; and 5 cents of this additional tariff should be paid for each message so routed to the Farmers Mutual company, the balance of the tariff to be retained by the Central Illinois company. On all messages originating on the lines of the Farmers company and routed via the Central Illinois company's exchange at Lostant to points other than Lostant and Wenona there should be similar excess charges, but the Central Illinois company should receive the regular toll rate from Lostant to destination plus the entire additional tariff specified;

That the proposed preferential tariff on toll messages originating or terminating in the telephone system of the Farmers Mutual company at Lostant, routed via the Central Illinois company's exchange at Lostant, its toll lines and those of connecting companies, excepting messages terminating or originating in Wenona or Lostant, was in accord with public policy where physical connection was established between two systems to afford a toll outlet for the smaller system, and should be established for these reasons;

That the preferential tariff having been made the subject of an executed agreement between the two companies, and so arranged as to afford proper mutual protection, it was not necessary for the Commission to pass upon the propriety of the specified amounts to be charged as additional tariff, but the Commission reserved jurisdiction as to the final

determination of the preferential tariff charged on toll messages between the competing systems in Lostant;

That the physical connection between the competing exchanges in Lostant should be used for toll business only.

OPINION AND ORDER.

A joint petition filed by the Central Illinois Independent Telephone Company, having its principal office at Rutland, Illinois, and exchanges in Wenona and Lostant, and the Farmers Mutual Telephone Company of Lostant, having its principal office at Lostant, Illinois, both Illinois corporations, asks the issuance of an order approving a contract between petitioners, dated May 28, 1918, covering the handling of toll telephone messages between the exchange system of the Farmers Mutual Telephone Company and combined telephone systems in Wenona, provided that the purchase and consolidation of the present telephone system of the Wenona Telephone Company with the system of the Central Illinois Independent Telephone Company in Wenona is approved;* and also covering the establishment of a preferential tariff on toll messages between points reached by the system of the Central Illinois Independent Telephone Company, and connecting companies, except Wenona, and the system of the Farmers Mutual Telephone Company at Lostant.

The contract, as submitted, states that the Farmers Mutual Telephone Company now owns, jointly with the Wenona Telephone Company, a toll line between Wenona and Lostant, and, inasmuch as the Central Illinois Independent Telephone Company has contracted to purchase the property of the Wenona Telephone Company, this line will be connected with the combined system, provided the proposed purchase and sale and the consolidation of the two telephone systems in Wenona is approved.*

It appears, therefore, that the consolidation of the competing telephone systems in the city of Wenona, will afford the Farmers Mutual Telephone Company a choice of two

* See *infra*, p. 349.

C. L. 85]

routes for toll messages from Lostant to Wenona; one over the jointly owned toll line now terminating in the present exchange of the Wenona Telephone Company, and the other through the two exchanges of the Central Illinois Independent Telephone Company at Lostant and Wenona respectively, together with its connecting toll circuits.

The contract, as submitted, further provides that on toll messages originating on the lines of the Farmers Mutual Telephone Company and routed via the Central Illinois Independent Telephone Company's Lostant exchange, over its toll lines or the toll lines of its connecting companies, to points other than Wenona, the regular toll rate from the Central Illinois Independent Telephone Company's exchange at Lostant to destination shall be charged, plus an additional charge to be collected and paid to the Central Illinois Independent Telephone Company by the Farmers Mutual Telephone Company of 5 cents on each message terminating at a point less than 50 miles distant; 10 cents on each message terminating at a point less than 100 miles and more than 50 miles distant; and 15 cents on each message terminating at a point more than 100 miles distant.

The contract, as submitted, also provides that on messages originating at points other than Lostant and Wenona and routed via the Central Illinois Independent Telephone Company's exchange and the Farmers Mutual telephone exchange at Lostant, there shall be charged and collected, in addition to the regular toll rates from originating point to the Central Illinois Independent Telephone Company's exchange at Lostant, an additional charge of 5 cents on all messages originating at a point less than 50 miles distant; 10 cents on all messages originating at a point less than 100 and more than 50 miles distant; and 15 cents on all messages originating at a point more than 100 miles distant.

Should the sale of the Wenona Telephone Company's property at Wenona to the Central Illinois Independent Telephone Company be approved, it is proposed that the

jointly owned toll line between the telephone system of the Farmers Mutual Telephone Company at Lostant and the present system of the Wenona Telephone Company be terminated in the exchange of the consolidated system at Wenona, and that messages between Wenona and Lostant only, originating or terminating in the exchange of the Farmers Mutual Telephone Company at Lostant, shall be handled over it.

The joint petition, with the contract attached, having been carefully considered by the Commission, together with all of the conditions under which the two telephone systems are operated and all other factors having a bearing on the matter, the Commission is of the opinion, and finds:

1. That the proposed preferential tariff on toll messages, originating or terminating in the telephone system of the Farmers Mutual Telephone Company at Lostant, routed via the Central Illinois Independent Telephone Company's exchange at Lostant, its toll lines and those of connecting companies, excepting messages terminating or originating in Wenona or Lostant, is in accord with public policy where physical connection is established between two telephone systems to afford a toll outlet for the smaller system, and should be established for these reasons.

2. That the present jointly owned toll line, between the exchange of the Farmers Mutual Telephone Company in Lostant and the present exchange of the Wenona Telephone Company, provides a routing for messages between the lines of the Farmers Mutual Telephone Company in Lostant and those of the Wenona Telephone Company, and that upon the completion of the proposed consolidation of the competing telephone systems in Wenona*, this jointly owned toll circuit will afford adequate facilities for handling toll messages between the lines of the Farmers Mutual Telephone Company at Lostant and Wenona, and that the toll rate for messages between Wenona and Lostant, routed via this jointly owned cir-

* See *infra*, p. 349.

C. L. 85]

cuit, may properly be made equal to the present rate charged by the Central Illinois Independent Telephone Company for messages routed between Wenona and Lostant over its toll circuits.

3. That the preferential tariff having been made the subject of an executed agreement between the two utilities, and so arranged as to afford proper mutual protection, it is not necessary for the Commission to pass upon the propriety of the specified amounts to be charged as additional tariff, at this time, but that the Commission reserves jurisdiction as to the final determination of the preferential tariff charged on toll messages between the competing telephone systems in Lostant, and may upon complaint, or upon its own motion, or by future additional order, review the entire matter and modify the rates herein tentatively approved.

It is, therefore, ordered, That the intercorporate agreement, dated May 28, 1918, between petitioners herein, be, and the same is hereby, approved under the following conditions, to-wit:

1. On all toll messages originating on the lines of the Central Illinois Independent Telephone Company, and connecting companies, from points other than Wenona and Lostant, routed via Lostant, to the lines of the Farmers Mutual Telephone Company, there shall be charged and collected, in addition to the present regular toll rates between Lostant and the other point connected, 5 cents on all messages originating at points less than 50 miles distant; 10 cents on all messages originating at points less than 100 or more than 50 miles distant; and 15 cents on all messages originating at points more than 100 miles distant; and that 5 cents of this additional tariff shall be paid for each and every toll message so routed to the Farmers Mutual Telephone Company at Lostant. The balance of the additional tariff shall be retained by or paid to the Central Illinois Independent Telephone Company.

2. On all toll messages originating on the lines of the Farmers Mutual Telephone Company, and routed via

the Central Illinois Independent Telephone Company's exchange at Lostant, for points other than Lostant and Wenona, there shall be charged and collected, in addition to the present regular toll rate between the Central Illinois Independent Telephone Company's exchange at Lostant and other connected point, 5 cents on each message terminating at points less than 50 miles distant; 10 cents on messages terminating at points less than 100 and more than 50 miles distant; and 15 cents on all messages terminating at points more than 100 miles distant from Lostant; and the Farmers Mutual Telephone Company shall pay to the Central Illinois Independent Telephone Company the regular toll rate from Lostant to destination, plus the entire additional tariff herein specified.

3. The present jointly owned toll line, between the exchange of the Farmers Mutual Telephone Company at Lostant and the present exchange of the Wenona Telephone Company, shall be used solely and exclusively for toll messages terminating in Wenona and Lostant respectively. For messages routed via said jointly owned toll line between Wenona and Lostant, of not more than 3 minutes' duration, a toll rate of 10 cents shall be established, with an additional charge of 5 cents for each additional 2 minutes, 25 per cent. of the entire toll charge on each message to be paid to the company on whose lines the message originates, the balance to be divided between petitioner in proportion to the mileage in the jointly owned toll circuit owned by each respectively.

4. That the physical connection between the competing exchanges in Lostant shall be used for toll or long distance business only.

5. That the Commission approves the intercorporate agreement submitted but reserves jurisdiction in the matter, and may upon complaint or upon its own motion reconsider, revise and modify the provisions included therein, as may be deemed necessary.

By order of the Commission at Springfield, Illinois, this twenty-eighth day of October, 1918.

In re APPLICATION OF CENTRAL ILLINOIS INDEPENDENT TELEPHONE COMPANY AND WENONA TELEPHONE COMPANY FOR APPROVAL OF PURCHASE BY FORMER AND SALE BY LATTER OF PROPERTY, AND FOR AUTHORITY FOR ISSUANCE OF STOCK BY CENTRAL ILLINOIS INDEPENDENT TELEPHONE COMPANY.

Case No. 8244.

Decided October 28, 1918.

Sale of Property to Competitor Authorized — Issue of Stock in Part Payment for Property Purchased Authorized.

OPINION AND ORDER.

A joint petition, filed June 13, 1918, by the Central Illinois Independent Telephone Company, Rutland, Illinois, hereinafter designated the purchaser, and Ralph Wells, F. F. Thierry and I. F. Douglas, a partnership, doing business under the name of Wenona Telephone Company, Wenona, Illinois, hereinafter designated the seller, states that both are public utilities, engaged in the operation of competing telephone systems in Wenona, and asks for the issuance of an order consenting to, and approving, the sale of all of the property of the Wenona Telephone Company to the Central Illinois Independent Telephone Company and the issuance of \$1,660, par value, of common stock by the purchaser.

At a hearing held before the Commission at Springfield, July 10, 1918, petitioners were represented by *Ben. B. Boynton*, attorney, Springfield, Illinois, and no objections were offered to the proposed purchase and sale and consolidation of the two competing telephone systems in Wenona.

It was shown by petitioners, at the hearing, that the system operated by the purchaser in Wenona is now serving approximately 265 stations, and that the system operated by the seller is now serving approximately 263 stations. It was also shown that, of the stations served by the two systems, approximately 66 are connected to both, making a net gain for the purchaser, in stations, of 197, provided

the two systems are consolidated. The record shows also that there is no interchange in service between the two systems at present, but that the service furnished by the seller predominated in the rural portion of the community and that furnished by the purchaser, in the city. For this reason, a consolidation of the two telephone systems, by producing a substantial increase in the number of accessible telephone subscribers, will be a great convenience to the social and business interests. Evidence shows that a consolidation of the two telephone systems in Wenona will also result ultimately in greatly improved and more efficient service, with a substantial aggregate saving to those subscribers who are compelled to maintain connections with both systems.

At the hearing the petitioners submitted an inventory and appraisal of the property to be transferred, which is to be used in furnishing service to the public, covered by a properly executed contract or bill of sale. This inventory of that portion of the property used and useful to the purchaser, provided the proposed consolidation is approved, has been carefully checked by the Commission's engineers and the checked inventory appraised. It was found that the reproduction cost new of that portion of the property of the seller which would be taken over and applied to the service of the public in Wenona by the purchaser is \$15,386. The reproduction cost new, less depreciation, is \$10,772. The contract or bill of sale filed shows that the Central Illinois Independent Telephone Company has agreed to buy the property used and useful in consolidation with the present plant in furnishing telephone service in the city of Wenona and vicinity for the sum of \$10,172.92, \$8,512.92 to be paid in cash and the balance by the issuance and delivery to the seller of \$1,660, par value, of the purchaser's common capital stock.

After carefully considering the method used in appraising the property covered by the proposed purchase and sale, and taking into consideration the fact that the purchase of the property and its consolidation with the present

C. L. 85]

system of the purchaser in Wenona will be productive of public convenience and will increase the value of the telephone service to subscribers of the consolidated systems, and in view of the fact that the purchase price specified in the contract of sale is less than the actual value of that part of the property used and useful to the purchaser in furnishing telephone service to the public, the Commission is of the opinion, and finds, that the proposed sale to the Central Illinois Independent Telephone Company of the property of the Wenona Telephone Company, and its consolidation with the plant of the purchaser, will be in accord with public convenience and that the joint petition should therefore be granted and the purchase and sale approved.

It is, therefore, ordered by the Public Utilities Commission of Illinois as follows:

Section 1. That the Central Illinois Independent Telephone Company be, and the same is hereby, authorized to buy, and Ralph Wells, F. F. Thierry and I. F. Douglas, copartners, doing business as the Wenona Telephone Company, be, and the same are hereby, authorized to sell, all of the telephone property of the copartnership in the city of Wenona and vicinity, including all material and supplies, rights, contracts and franchises, for the sum of \$10,172.92, of which \$8,512.92 is to be paid in cash and the balance in common capital stock, at par, of the purchaser. The sale and purchase is authorized upon the following conditions and not otherwise, to-wit:

1. That the transfer of the property shall be consummated within sixty days from the date of this order, and that upon its completion the purchaser, the Central Illinois Independent Telephone Company, shall make a verified report of the purchase to the Commission.

2. That the Wenona Telephone Company shall, upon the completion of the transfer of its property, discontinue the operation of a telephone system in the city of Wenona.

3. That the Central Illinois Independent Telephone Company shall consolidate and physically merge the plant purchased with its present plant in the city of Wenona and vicinity in such a manner as will enable any telephone patron to communicate directly, by telephone, with any other telephone patron.

4. That the Wenona Telephone Company shall turn over all of its books of accounts and records to the Central Illinois Independent Telephone Company, taking a detailed receipt therefor and furnishing this Commission with a certified copy of said receipt.

5. That the Central Illinois Independent Telephone Company shall make, or cause to be made, a final report to this Commission of the operations of said Wenona Telephone Company from the date of its last annual report to this Commission to the date the property is transferred.

6. That no toll rate, toll contract, or charge for toll service, now in effect in the operation of the telephone system of the seller, shall be discontinued or changed by the purchaser without the approval of the Public Utilities Commission.

Section 2. That the said Central Illinois Independent Telephone Company be, and the same is hereby, authorized to issue its common capital stock, in the aggregate amount of \$1,660, par value.

Section 3. The stock herein authorized shall be used as part payment for the purchase price of the telephone property to be acquired from the copartnership, the Wenona Telephone Company, as aforesaid, and said Wenona Telephone Company is hereby expressly authorized to receive said stock as part payment for its telephone system.

Section 4. That the Central Illinois Independent Telephone Company shall, before the issue and delivery of any of the certificates of said stock issue, cause to be printed, stamped or engraved on the face of each of said certificates, for the purpose of easy identification, the following:

"PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 727.
October, 1918."

Section 5. That the Central Illinois Independent Telephone Company shall keep separate, true and accurate accounts covering the disposition of said stock herein authorized to be issued, and within sixty days from the date of this order said company shall make a verified report (in duplicate) to the Commission, showing the issuance and disposition of said stock.

Section 6. That the purchase price herein approved, for the property of the Wenona Telephone Company, shall

C. L. 85]

not be considered as conclusive evidence of the value of said property, should that question hereafter be presented to the Commission in a rate proceeding.

By order of the Commission, at Springfield, Illinois, this twenty-eighth day of October, 1918.

In re APPLICATION OF LANARK MUTUAL TELEPHONE COMPANY
FOR AUTHORITY TO ISSUE STOCK.

Case No. 8172.

Decided October 29, 1918.

**Issue of Stock to Retire Certain Stock Issued Without Consent of
Commission, and to Reimburse Treasury for Funds
Expended for Improvements, Authorized.**

OPINION AND ORDER.

Application having been made to the Public Utilities Commission of Illinois by the Lanark Mutual Telephone Company for the consent and approval of the Commission to the issuance of capital stock by said company to the amount of \$3,000, and a hearing having been duly held, and the petitioner having presented such testimony and evidence as it was advised and as the Commission required, and the matter having been duly submitted to the Commission for disposition;

It appears that the Lanark Mutual Telephone Company, heretofore, on February 21, 1914, increased its authorized capital stock from \$12,000 to \$15,000, and that it has since issued its capital stock in the amount of \$390, the proceeds from the sale thereof being used in additions and betterments to the telephone plant of said company; that said stock in the amount of \$390 was issued and sold without the consent of this Commission and, therefore, the company now applies for the consent of the Commission to issue stock in the amount of \$390 in lieu of and to take the place of stock heretofore issued without the consent of the Commission, as aforesaid; that it also desires authority to issue its capital stock in the additional amount of \$2,610,

the proceeds from which to be used to reimburse its treasury for moneys used therefrom for construction, extension, improvement of, or additions to its telephone facilities, during the years 1914, 1915, 1916 and 1917.

Upon consideration of the application and evidence filed in connection therewith, the Commission finds that the money to be procured by the issue of said capital stock is reasonably required for the purpose set forth and that the prayer of the petitioner should be granted.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Lanark Mutual Telephone Company, be, and is hereby, authorized to issue its capital stock to the amount of \$3,000, par value, being 100 shares of the par value of \$30.00 each, said stock to the amount of \$390 to be issued and used for the purpose of taking up and retiring a like amount of stock heretofore issued by said company without the consent of the Commission, as aforesaid; that of said total amount of \$3,000, \$2,610 shall be issued for the purpose of reimbursing the company's treasury for moneys used for construction, extension, improvement of, or additions to its telephone facilities, during the years 1914, 1915, 1916 and 1917.

Section 2. That authority to issue, sell or dispose of said capital stock is granted upon the following conditions and not otherwise:

First, That said Lanark Mutual Telephone Company shall sell the stocks hereby authorized so as to net said company not less than the par value thereof, and that the proceeds shall be applied only to the purposes stated in Section 1 hereinabove.

Second, That upon the issuance and delivery of said capital stock in the amount of \$390, in exchange for stock of like amount heretofore issued without the consent of the Commission, such stock certificates heretofore issued shall be taken up and cancelled.

Third, That upon the completion of the exchange of capital stock and the cancellation of stock heretofore issued without the consent of the Commission, the said company

C. L. 85]

shall file with the Commission a verified report (in duplicate) of such exchange and cancellation; that every sixty days from the date hereof, until all of the stock hereby authorized to be issued shall have been issued and disposed of, said company shall make a verified report (in duplicate) to the Commission, showing the sale or sales of stock during the previous period, the moneys realized therefrom and the use and application of such moneys.

Fourth, That said Lanark Mutual Telephone Company shall, before the delivery of such stock hereby authorized to be issued, cause to be printed, stamped or engraved on the face of each of the certificates of stock, for the proper and easy identification thereof, the following:

“ PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 729.
October, 1918.”

By order of the Commission, at Springfield, Illinois, this twenty-ninth day of October, 1918.

In re APPLICATION OF CAHOKIA TELEPHONE COMPANY FOR AUTHORITY TO SELL, AND OF HARRISONVILLE TELEPHONE COMPANY FOR AUTHORITY TO PURCHASE, THE EXCHANGE AND SYSTEM IN DUPO.

In re APPLICATION OF HARRISONVILLE TELEPHONE COMPANY FOR AUTHORITY TO ISSUE COMMON CAPITAL STOCK AND FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

Case No. 7314.

Decided November 18, 1918.

Extension of Time Granted Within Which to Complete Consolidation.

SUPPLEMENTAL ORDER.

An order* having been entered by this Commission in the above-entitled cause on September 19, 1918, authorizing among other things, the Cahokia Telephone Company to sell, and the Harrisonville Telephone Company to pur-

* See Commission Leaflet No. 84, p. 47.

chase, the telephone exchange and system of the Cahokia Telephone Company in the village of Dupo, Illinois, and vicinity, upon the terms and conditions therein stated, it being provided that the complete transfer of said property should be effected within sixty days from the date of said order;

And a supplemental petition having been filed herein asking that the time within which the said petitioners may complete the transfer of said property, and otherwise comply with the terms and provisions of said order* of September 19, 1918, be extended for a further period of ninety days;

And the Commission having considered said supplemental petition and being fully advised in the premises, is of the opinion, and finds, that the prayer of said supplemental petition is reasonable and should be granted.

It is, therefore, ordered, That the time within which the petitioners herein may comply with the terms and provisions of the order* entered by this Commission on September 19, 1918, be, and it hereby is, extended for a period of ninety days from November 19, 1918.

It is further ordered, That said order* of September 19, 1918, is in all other respects approved and confirmed.

By order of the Commission at Springfield, Illinois, this eighteenth day of November, 1918.

In re APPLICATION OF HOME TELEPHONE COMPANY OF CAIRO
FOR AUTHORITY TO ISSUE NOTES.

Case No. 8390.

Decided November 18, 1918.

**Issue of Five-Year, 7 Per Cent. Notes by Domestic Corporation, in
Renewal of Note Issued Without Approval
of Commission, Authorized.**

OPINION AND ORDER.

Application having been made to the Public Utilities Commission of Illinois by the Home Telephone Company

* See Commission Leaflet No. 84, p. 47.

C. L. 85]

of Cairo, under the provisions of the Public Utilities Law of Illinois for the consent and approval of the Commission to the issuance of notes by said company in the amount of \$5,000, and the said application having been amended by the petitioner to the extent of reducing to \$4,000 the amount for which authorization is sought, and a hearing having been duly held and the petitioner having presented such testimony and evidence as it was advised, and as the Commission required, and the matter having been duly submitted to the Commission for disposition;

It appears that the Home Telephone Company of Cairo is a corporation duly organized and existing under and by virtue of the laws of the State of Illinois, with its principal office in the city of Cairo, county of Alexander, State of Illinois, and that it is engaged in the telephone business in the said city of Cairo and in the vicinity thereof and is duly authorized by its articles of incorporation so to do; and

That said company heretofore issued its promissory note in the amount of \$6,000 and renewed the same from time to time for a period longer than two years, without the consent of the Commission; that the proceeds of said note were used for the construction, extension of, additions or for improvements to its telephone facilities; that it has since reduced the amount of said note to \$4,000 by payments made thereon, and that it now applies for the consent and approval of the Commission for the renewal of said note for a period not exceeding five years from March 12, 1918.

Upon consideration of the application and of the evidence and exhibits filed in connection therewith, the Commission is now of the opinion that the money procured by the issue of said note was reasonably required for the purposes set forth and that the prayer of the petitioner should be granted.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

First, That the Home Telephone Company of Cairo be, and is hereby, authorized to issue its promissory note or

notes in the aggregate amount of \$4,000, to bear interest at not to exceed 7 per cent. per annum, payable monthly, said note or notes to be dated March 12, 1918, and may be renewed from time to time for an aggregate period not exceeding five years from said date; said note or notes to be sold or exchanged at not less than the par value thereof and used for the purpose of taking up and retiring a note of like amount now outstanding, and upon the issuance and delivery of said note or notes, said company shall file a report (in duplicate) with this Commission, showing the sale or disposal of said note or notes and the cancellation of the former note of like amount.

Second, That said Home Telephone Company of Cairo shall, before the delivery of such note hereby authorized to be issued, cause to be printed, stamped or engraved on the face of said note, for the proper and easy identification thereof, the following:

“ PUBLIC UTILITIES COMMISSION OF ILLINOIS.

AUTHORIZATION NO. 736.

November, 1918.”

Third, That the said Home Telephone Company of Cairo be, and is hereby, charged an amount equal to 10 cents for every \$100 of the par value of the note or notes authorized by this order, said charge amounting to \$4.00, and the same shall be paid into the State Treasury before such note or notes shall be issued.

By order of the Commission, at Springfield, Illinois, this eighteenth day of November, 1918.

In re **JOINT APPLICATION OF REORGANIZATION COMMITTEE
WESTERN ILLINOIS TELEPHONE COMPANY AND MANN
TELEPHONE COMPANY FOR CONSENT TO AND APPROVAL OF
CONTRACT OF SALE.**

In re **APPLICATION OF MANN TELEPHONE COMPANY FOR
CERTIFICATE OF CONVENIENCE AND NECESSITY FOR
AUTHORITY TO ISSUE CAPITAL STOCK.**

Case Nos. 8445 and 8446.

Decided November 18, 1918.

**Sale of Property Authorized — Issue of Stock at Par and Three-Year
6 Per Cent. Note, in Payment for Property, Authorized —
Certificate of Convenience and Necessity Granted.**

OPINION AND ORDER.

Joint application by the Reorganization Committee, Western Illinois Telephone Company, consisting of Lyman B. Vose, Harry Blount and J. L. Scott (T. Z. Creel, one of the members of said Committee being deceased), and the Mann Telephone Company, an Illinois corporation, having its principal office at Macomb, Illinois, state that petitioners are subject to an Act to Provide for the Regulation of Public Utilities and ask for the issuance of an order consenting to, and approving, a contract of sale dated July 29, 1918, covering the sale, by the said Reorganization Committee, Western Illinois Telephone Company, and the purchase, by the said Mann Telephone Company, of all property controlled by the Reorganization Committee and now involved in the operation of telephone systems in the city of Bushnell and the village of Good Hope, McDonough County, the villages of Camp Point, Lima, Loraine and Ursa, Adams County, and the village of Tioga, Hancock County, together with all associated telephone toll lines joining Macomb and Prairie City, Quincy and Loraine, and Loraine and Sutter, and all associated rural telephone lines now connected, or that have heretofore been connected, with telephone exchanges located, respectively, at the several points named.

Applications made on August 1, 1918, by the Mann Telephone Company ask that a certificate of convenience and necessity to operate telephone exchanges and toll lines in the city of Bushnell and village of Good Hope, McDonough County, the villages of Camp Point, Lima, Loraine and Ursa, Adams County, and the village of Tioga, Hancock County, be issued to the said Mann Telephone Company, and that an order be issued authorizing the said Mann Telephone Company to issue \$44,000, par value, of its common capital stock, \$36,000 to be paid for by the transfer to it of the property of the Reorganization Committee, Western Illinois Telephone Company, as specified in contract of sale dated July 29, 1918, the balance to be issued when and as a mortgage indebtedness of \$8,000 against the said property is discharged. Permission was also asked, in an amendment made at the hearing, to issue a new note and mortgage against the property, in order to retire the present mortgage encumbrance.

These matters came on for hearing before the Commission on September 4, 1918. The Reorganization Committee, Western Illinois Telephone Company, was represented by *Mr. John Lawyer*, attorney, and the Mann Telephone Company by *Mr. M. E. Mann*, its president. No objections to the proposed purchase and sale, issuance of proposed certificate of convenience and necessity, or authorization of proposed stock issue were offered.

It appears from the testimony that the property to be transferred, provided the purchase and sale is approved by the Commission, is the residue of the former plant of the Western Illinois Telephone Company, which has been operated by a Committee representing the bondholders since the property was sold at receiver's sale, June 6, 1914, the legal title being in the name of Lyman T. Vose, a member of the Reorganization Committee. The Mann Telephone Company proposes to acquire property still remaining in the possession of the Reorganization Committee and to operate it in connection with adjacent telephone property.

At the hearing petitioners filed an inventory of the property covered by contract of sale, submitted for approval, which inventory has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, less depreciation of the property, using unit costs based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, is at least \$44,000.

The record further shows that the Mann Telephone Company is an Illinois corporation, with an authorized capital stock of \$44,000; that the said Mann Telephone Company has been formed for the purpose of acquiring, purchasing and operating telephone exchanges and toll lines in McDonough County, Adams County and Hancock County; that of the authorized issue of capital stock, 80 shares issued have not been paid for, the balance to be paid for by the property which it is proposed to transfer from the Reorganization Committee, Western Illinois Telephone Company, to the Mann Telephone Company; that the property so transferred is subject to a mortgage for \$8,000; that the proposed stockholders in the Mann Telephone Company now own, in fact, 70 per cent. of the property to be transferred by the Reorganization Committee, Western Illinois Telephone Company, and that it is proposed to provide for the reimbursement of the owners of the remaining 30 per cent. of the property not owned by the stockholders of the Mann Telephone Company upon the completion of the proposed transfer, provided the proposed purchase and sale is approved.

The Commission having given due consideration to the record and exhibits filed, and being fully advised in the matter, is of the opinion, and finds, that the contract of sale between the Reorganization Committee, Western Illinois Telephone Company and the Mann Telephone Company is in accordance with public interest and that the property involved is of a value in excess of the consideration to be paid therefor. The Commission also finds, after careful

consideration of the record, that a certificate of convenience and necessity may with propriety be issued to the Mann Telephone Company, in order that the operation of the property purchased by it from the Reorganization Committee, Western Illinois Telephone Company, may be continued and that telephone service may be uninterrupted in the communities involved.

The Commission also finds, after careful consideration, that the issuance by the Mann Telephone Company of its capital stock in the sum of \$44,000, par value, in order to assure the purchase by it of the property now controlled by the Reorganization Committee, Western Illinois Telephone Company, will involve a capitalization of the facilities ultimately to be acquired not in excess of their actual present value, and for that reason should be approved.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Mann Telephone Company be, and the same is hereby, authorized to buy, and the Reorganization Committee, Western Illinois Telephone Company, consisting of Lyman B. Vose, Harry Blount and J. L. Scott (T. Z. Creel, one of the members of said Committee being deceased) be, and the same is hereby, authorized to sell, all of the telephone property controlled by the said Reorganization Committee, Western Illinois Telephone Company, in the city of Bushnell, and the villages of Camp Point, Good Hope, Lima, Loraine, Tioga and Ursa, in the counties of Adams, Hancock and McDonough, respectively, together with all toll lines joining Macomb and Prairie City, Quincy and Loraine, and Loraine and Sutter, and all rural telephone lines now connected, or that have heretofore been connected, with telephone exchanges located, respectively, at the several points named, for the sum of \$43,965, to be paid as follows: the Mann Telephone Company to assume a mortgage now existing as an encumbrance on the property in Bushnell, Illinois, and to pay the sum of \$35,965 in cash within sixty days from the date of this

C. L. 85]

order. The sale and purchase is authorized, and the contract of sale is approved, upon the following conditions, and not otherwise, to-wit:

1. That the transfer of the property shall be consummated within sixty days from the date of this order, and that upon its completion the purchaser, the Mann Telephone Company, shall make a verified report of the purchase to the Commission.

2. That the Reorganization Committee, Western Illinois Telephone Company, shall, upon the completion of the transfer of its property in accordance with the terms of the contract of sale submitted for approval, discontinue the operation of its telephone system in the city of Bushnell and villages of Camp Point, Good Hope, Lima, Loraine, Tioga and Ursa, in the counties of Adams, Hancock and McDonough, respectively.

3. That the Mann Telephone Company shall begin the operation of the property transferred and shall continue its operation, without interruption, assuring service to the present subscribers in the several communities involved.

4. That the Reorganization Committee, Western Illinois Telephone Company, shall turn over all of its books of accounts and records to the Mann Telephone Company, taking a detailed receipt therefor and furnishing this Commission with a certified copy of said receipt.

5. That the Mann Telephone Company shall make, or cause to be made, a final report to this Commission of the operations of said Reorganization Committee, Western Illinois Telephone Company, from the date of its last annual report to this Commission to the date the property is transferred.

6. That no toll rate, toll contract, or charge for toll service now in effect in the operation of the telephone system controlled by the Reorganization Committee, Western Illinois Telephone Company, shall be discontinued or changed by the Mann Telephone Company without securing the specific approval of the Public Utilities Commission thereto.

7. That said purchase and sale shall be consummated by the execution and delivery of good and sufficient deed or instrument of conveyance, copy of which, duly certified, shall be filed with this Commission within five days from the consummation of said sale, and that the said purchase and sale shall not be complete until this copy of said deed shall have been filed with this Commission.

Section 2. That a certificate of convenience and necessity to operate telephone exchanges and toll lines in and near the city of Bushnell and village of Good Hope, McDonough County, the villages of Camp Point, Lima, Loraine, and Ursa, Adams County, and the village of Tioga, Hancock County be, and the same is hereby, granted by this Commission to the Mann Telephone Company in accordance with Section 55 of an Act to Provide for the Regulation of Public Utilities, and that the said certificate be issued under the seal of this Commission and authenticated by its secretary.

Section 3. That the Mann Telephone Company be, and the same is hereby, authorized to issue its common capital stock in the aggregate amount of \$44,000, par value.

Section 4. That said authorized issue of stock shall be used as payment for property to be acquired from the Reorganization Committee, Western Illinois Telephone Company, by the Mann Telephone Company and described in detail in contract of sale.

Section 5. That the Mann Telephone Company shall, before the issue and delivery of any of the certificates of said stock issue, cause to be printed, stamped or engraved on the face of each of said certificates, for the purpose of easy identification, the following:

“ PUBLIC UTILITIES COMMISSION OF ILLINOIS.

AUTHORIZATION NO. 742.

November, 1918.”

Section 6. That the Mann Telephone Company shall keep separate, true and accurate accounts covering the disposition of said stock herein authorized to be issued, and within sixty days from the date of this order the Mann Telephone Company shall file with this Commission a verified report,

C. L. 85]

in duplicate, signed by the president, vice-president or secretary of said company, showing the issuance and disposition of said stock.

Section 7. That the Mann Telephone Company be, and the same is hereby, authorized to execute its note and mortgage for \$8,000, payable June 17, 1921, and bearing interest at 6 per cent. per annum, payable semi-annually, in order to refund the sum now outstanding as an encumbrance against the property covered by the contract of sale herein approved, *provided*, that the terms of said mortgage shall be approved by this Commission and that the note and mortgage herein authorized to be issued be used solely and entirely for the purpose of cancelling and refunding the present outstanding encumbrance against the property.

Section 8. That the Mann Telephone Company shall file a certificate showing the cancellation and cremation of the mortgage and note now outstanding which is to be retired by the issuance of a new mortgage and note as herein authorized.

Section 9. That the purchase price herein approved for the property controlled by the Reorganization Committee, Western Illinois Telephone Company, shall not be considered authoritative evidence of the value of said property, should that question hereafter be presented to the Commission in a rate proceeding.

Section 10. That the Mann Telephone Company shall, within ten days of the date of this order, file, post and publish schedules of all toll and local rates now in effect in each exchange acquired by it under the contract of purchase and sale approved herein, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois.

By order of the Commission, at Springfield, Illinois, this eighteenth day of November, 1918.

* See Commission Leaflet No. 54, p. 21.

In re APPLICATION OF BYRON TELEPHONE COMPANY FOR
AUTHORITY TO CHANGE RATES FOR SERVICE IN BYRON,
STILLMAN VALLEY, DAVIS JUNCTION AND VICINITY.

Case No. 8553.

Decided November 18, 1918.

**Increase in Rural Rates Authorized — Allowance of Approximately
7½ Per Cent. for Reserve for Depreciation Made — Going
Concern Value Allowed — Special Individual Line
Business Rate Considered Discriminatory —
Extra Mileage Charge Authorized.**

Applicant filed an increased schedule of rates for rural service only, at its exchanges at Byron, Stillman Valley and Davis Junction. The Commission's engineers estimated the value of the property, exclusive of materials and supplies, to be \$33,900, based upon annual reports filed with the Commission and on the number of connected stations. The average net annual return for 1916 and 1917 was approximately \$1,355.

Held: That the proposed rates would produce a very slight increase in annual revenue owing to the failure of some few subscribers to take advantage of the discount for prompt payment, but since they would not produce an excessive return upon any reasonable valuation that might be placed upon the property, such rates should be authorized;

That the allowance of \$3,000, made by the company annually, to provide a reserve for depreciation, was considered reasonable and fair under present conditions;

That the Commission recognized that the company's property constituted an assembled and established plant in operation and earning money, with a list of subscribers, and that it had a value as such wholly different from the value of the physical portion only, and that such going concern value was an actual property right to be duly considered in determining the value upon which a return might be fairly earned, and the Commission found that the value of the property used and useful in furnishing service and the business attached thereto, including every element of value tangible and intangible as of September 10, 1918, including the average stock of materials and supplies, with a reasonable allowance for working capital was \$40,000;

That the proposed special rate for individual line business service at the country residence of Medill McCormick of \$50.00 per year was considered discriminatory, in that the subscriber would receive the same service as other subscribers in the same classification and would be afforded opportunity to secure connection with only the same number of other stations, although paying a much higher rate;

C. L. 85]

That the Commission recognized that the furnishing of individual line business service at a distance of $4\frac{1}{2}$ miles from the exchange area involved an investment per station for plant much higher than that required for individual line business service within the exchange area, and such resulting discrepancy might be equitably and fairly removed by the establishment of an annual rate for the required mileage, such rate to be added to the normal individual business city rate.

OPINION AND ORDER.

On September 10, 1918, the Byron Telephone Company, of Byron, Illinois, filed schedule I. P. U. C. No. 1, comprising a proposed revision of certain rates for telephone service in Byron, Stillman Valley, and Davis Junction, Ogle County, Illinois. The present rates are as follows:

	<i>Per Month</i>
Individual line business telephones.....	\$2 00
Individual line residence telephones.....	1 50
Party line residence telephones.....	1 00
Rural telephones, multi-party.....	1 50

The proposed schedule involves a change in the rates for rural service only, and is as follows:

Individual line business telephones.....	\$2 00 per month
Individual line residence telephones.....	1 50 per month
Party line residence telephones.....	1 00 per month
Rural telephones, multi-party.....	1 75 per month
Individual line business telephones at Rock River Farm	2 00 per month
Individual line business telephone at residence of Medill McCormick	50 00 per annum

The rate for rural telephone stations is subject to a discount of 25 cents per month, provided the rental is paid quarterly, on or before the fifteenth day, respectively, of January, April, July and October, for the current quarter.

The matter came on for hearing before the Commission, at Springfield, September 24, 1918, the Byron Telephone Company being represented by *Mr. P. A. Nott*, secretary, and no objections were offered to the proposed rates. No proof of publication of the notice of application for authority to increase rates was offered, but testimony shows

that the municipal authorities of Byron were notified of the proposed change. The revised schedule of rates is to be placed in effect November 1, 1918, and adequate proof of publication on October 4 and October 11 of a notice that application has been made for authority to increase rates has been received since the hearing.

Expense and revenue statements for the period January 1, 1918, to September 24, 1918, were filed and the annual reports on file with the Public Utilities Commission were also made a part of the record.

It appears that the Byron Telephone Company furnished service on December 31, 1917, to 678 telephone stations, connected with switchboards in the villages of Byron, Stillman Valley and Davis Junction and classified as follows:

One-party lines, business, city stations.....	43
Two-party lines, business, city stations.....	52
One-party lines, residence, city stations.....	29
Two-party lines, residence, city stations.....	24
Three-party lines, residence, city stations.....	45
Four-party lines, residence, city stations.....	52
Five-party lines, residence, city stations.....	25
Multi-party lines, residence, city stations.....	12
One-party rural lines, stations.....	2
Multi-party rural lines, stations.....	392
Extension sets	2

678

The average of operating revenue for the two years 1916 and 1917 is \$12,070, while the average of operating expense for the same period is \$10,318. Allowing \$397, the average sum actually paid annually for taxes and miscellaneous expense during the same period, the net annual return from operation, therefore, is approximately \$1,355.

No detailed appraisal of plant of the Byron Telephone Company was submitted, but an estimate made by the Commission's engineers, based upon annual reports filed with the Public Utilities Commission which were made a part of the record, and on the number of connected stations,

C. L. 85]

shows that the physical portion of the property, exclusive of materials and supplies, is worth at least \$33,900.

The Commission recognizes fully that the company's property constitutes an assembled and established plant in operation and earning money, with a list of subscribers; that it has a value as such wholly different from the value of the physical portion only, and that such going concern value is an actual property right, to be duly considered in determining the value upon which return may be fairly earned.

After carefully considering every fact and circumstance having a bearing in the matter, and including the average stock of materials and supplies, as reported for the years 1916 and 1917, with a reasonable allowance for working capital, the Commission is of the opinion, and finds, that the value of the property used and useful in furnishing telephone service in the villages of Byron, Stillman Valley and Davis Junction, and the business attached thereto, including every element of value, tangible and intangible, as of September 10, 1918, is at least \$40,000. The net return under the present rate schedule, \$1,355, is approximately 3.4 per cent. of this value.

During the years 1916 and 1917 the sum of \$3,000 was set aside annually to provide a reserve against depreciation, and after full consideration of all the circumstances, the Commission is of the opinion, and finds, that this is a reasonable and fair annual allowance, under present conditions, to provide adequate reserve against depreciation.

After giving the matter careful consideration, the Commission is also of the opinion, and finds, that the proposed schedule of telephone rates at Byron, Stillman Valley and Davis Junction will produce a very slight increase in annual revenue, owing to the failure of some few subscribers to take advantage of the discount for prompt payment, that the proposed rates are fair and reasonable, and that they will not produce an excessive return upon any reasonable valuation that may be placed upon the company's property.

The proposed rate for individual line business service of \$50.00 per year for the sole purpose of furnishing individual business service to the farm of Medill McCormick, is discriminatory, in that the subscriber will receive the same service as other subscribers in the same classification and will be afforded opportunity to secure connection with the same number only of other telephone stations, although paying a much higher rate. The Commission recognizes, however, that the furnishing of individual line business telephone service at a distance of approximately $4\frac{1}{2}$ miles from the exchange area involves an investment per station for plant much higher than that required for individual line business service within the exchange area.

It is obvious that when rural multi-party service standards are permissible, the plant investment per station is reduced by the connection of a number of telephones to one circuit. The resulting discrepancy between the actual cost of furnishing individual line business service in the exchange area and outside of it may be equitably and fairly removed by the establishment of an annual rate for the required mileage, such rate to be added to the normal individual business city rate.

It is, therefore, ordered, That the Byron Telephone Company be, and the same is hereby, authorized to discontinue the exchange rates now in effect in Byron, Stillman Valley and Davis Junction, Ogle County, and vicinity, and to substitute therefor the following schedule:

	<i>Per Month</i>
Individual line business telephones.....	\$2 00
Individual line residence telephones.....	1 50
Party line residence telephones.....	1 00
Rural telephones, multi-party	1 75

Extra mileage:

Per Year

Line extending beyond the established exchange area, individual line, per quarter mile or fraction thereof.....	3 00
--	------

The rate for rural telephone stations is subject to a discount of 25 cents per month, provided the rental is paid on or before the fifteenth day of the first month of each quarter beginning, respectively, on January 1, April 1, July 1, and October 1, of each year.

C. L. 85]

It is further ordered, That the schedule of exchange telephone rates authorized herein shall be filed, posted and published by the Byron Telephone Company in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities and General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois; that it shall be known as I. P. U. C. No. 1, and shall become effective as of November 15, 1918.

By order of the Commission, at Springfield, Illinois, this eighteenth day of November, 1918.

* See Commission Leaflet No. 54, p. 21.

INDIANA.

Public Service Commission.

In re APPLICATION OF ROANN TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

No. 3963.

Decided October 25, 1918.

**Increase in Rates, War Conditions Considered, Authorized — 6 Per
Cent. Fixed as Rate of Return — 5 Per Cent. Allowed for
Reserve for Depreciation — Definite Depreciation Fund
Prescribed — Three Months' Rental in Advance
by New Subscribers, Authorized.**

Applicant sought authority to substitute for its present rates, ranging from \$1.00 to \$1.50 per month, rates varying from \$1.35 to \$2.00 per month, per telephone, for various classes of service; also to establish a 10-cent toll rate between certain points, and to require a deposit equal to three months' rental from all new subscribers, and for authority to charge certain installation and moving charges.

The Commission's engineers estimated the reproduction cost of the property at \$43,412, and its present value at \$35,905, including in both values 12 per cent. for overhead. Applicant's engineers, including an allowance of 8 per cent. for intangible capital, showed a reproduction cost of \$44,532, and a present value of \$37,382. The total cost investment in the plant, aside from the reinvestment of earnings, was \$15,000. Substantial donations of labor, the use of automobiles and of directors' services, were made since the organization of the company in 1901. The Commission estimated the operation expenses for 1918 would be \$6,000.

Held: That the increased business, residence and rural rates as set forth by the Commission, which would net the company \$10,131.25, should be authorized;

That applicant should be allowed to earn a return of 6 per cent. upon \$38,305, which valuation was the reasonable value of the property, allowing \$400 for working capital and \$2,000 as the cost of bringing the property to its present state of efficiency;

That applicant should be allowed a reserve for depreciation of 5 per cent. upon the value of its property used and useful for the convenience of the public, less the value of land, materials and supplies, or 5 per cent. of \$36,659;

C. L. 85]

That the reserve for depreciation fund should be kept separate and handled with proper accounting. Money accumulated in such fund should be invested in government or other high grade listed securities, which should net a return not less than 4 per cent. Applicant might borrow from this fund for a period not to exceed one year, to cover not more than 75 per cent. of the cost of new construction, but in such case applicant should pledge to said fund its own notes or bonds bearing interest at the rate of not less than 4 per cent.;

That a deposit equal to three months' rental should be authorized to be required of all new subscribers, the same to be applied on the first three months' rental. The petition in all other respects should be denied.

OPINION AND ORDER.

On June 24, 1918, the Roann Telephone Company of Roann, Wabash County, Indiana, filed a petition with the Public Service Commission of Indiana averring that it is a public utility operating under the laws of the State of Indiana; that it operates telephone exchanges at Roann and at Chili, in Miami County, with lines radiating therefrom to the country adjacent thereto.

Petitioner further averred that it has had in effect since January 1, 1913, the following schedule of rates, tolls and charges:

	<i>Per Month</i>
Independent line, business telephone.....	\$1 50
Independent line, residence telephone.....	1 00
Party line telephone	1 00
Rural party lines	1 00

Free service furnished from Roann to Akron, from Roann to Macy, and from Chili to Macy.

Petitioner averred that its present schedule of rates, tolls and charges is wholly inadequate and insufficient properly to maintain the plant, to provide for increased wages, increased cost of material, a sufficient depreciation fund, and proper income upon the investment. Petitioner averred that it has been compelled to borrow a large sum of money in order to repair and replace lines damaged by the sleet storm of 1918, which damage amounted to more than \$6,000, including the loss of revenue occasioned by the sleet storm.

Petitioner applied for authority to establish a new schedule of rates, tolls and charges, with rates varying from \$1.35 to \$2.00 per month, per telephone, for various classes of service; for authority to establish a 10-cent toll rate between Roann and Akron, Roann and Macy, and Macy and Chili; for authority to charge \$2.50 for moving telephones; for authority to require deposit equal to three months' rental from all new subscribers; and for authority to charge \$1.00 for reconnecting an individual line telephone and \$2.50 for reconnecting a party line telephone, disconnected for the non-payment of rental charges.

Due and timely notice having been served upon all interested parties including the petitioner, the town officials of the town of Roann and the Roann Clarion, published at Roann, Indiana, the matters contained in said petition were heard September 27, 1918, at the State House, Indianapolis, Indiana. The petitioner was represented by *J. K. Johnston*, telephone engineer and appraiser. There were no other appearances.

A tentative estimate of the value of petitioner's property made by the engineering department of the Public Service Commission and submitted in evidence shows that the reproduction cost of all of petitioner's property amounts to \$43,412, including 12 per cent. for overhead expense, and \$35,905 present value, including 12 per cent. allowance for overhead. The valuation as made by petitioner's engineer, including an allowance of 8 per cent. for intangible capital, shows a reproduction cost of \$44,532 and present value of \$37,382.

The evidence shows that the petitioner company was first organized in 1901 and incorporated in 1903 for \$15,000; that from 1906 to 1918 the actual capital outstanding was \$14,450, and that upon this capital from 1903 to 1917, dividends amounting to an average of 6.7 per cent. annually were paid.

The total cost investment in petitioner's plant, aside from the reinvestment of earnings, is \$15,000. The evidence shows that substantial donations of labor, the use

C. L. 85]

of the automobiles and of directors' services, have been made since the organization of the company in 1901. The evidence does not disclose the total value of these donations, but they must be considered in connection with petitioner's claim to an allowance over and above the stripped structural value of its plant as a cost of bringing the property to the present state of efficiency.

For the purpose of this cause, the Commission is of the opinion that there should be added to the present value of petitioner's plant, estimated at \$35,905 by the engineering department of this Commission, the sum of \$400 for working capital, and the sum of \$2,000 as the cost of bringing the property to the present state of efficiency. The Commission, therefore, will use for the purposes of this cause, a valuation of \$38,305, which it believes to be the reasonable value of petitioner's property at this time.

In view of industrial conditions brought on by the war and in view, further, of the Commission's frequently expressed policy of requiring the public utilities of this State to bear a part of the burden incident to this war, the petitioner's rate of return will be limited to 6 per cent. Strictly as a return upon its investment, it will be allowed to earn a rate of 6 per cent. upon \$38,305, or \$2,298.30. Petitioner will also be allowed a depreciation rate of 5 per cent. upon the value of its property used and useful for the convenience of the public, less the value of land and material and supplies, or 5 per cent. upon \$36,659. This is equal to the sum of \$1,832.95.

The operating expenses of petitioner were \$4,968.82 for the year ending December 31, 1915, \$5,802.91 for the year ending December 31, 1916, and \$6,055.72 for the year ending December 31, 1917. The operating expenses for the first six months of 1918 were \$2,791.84, not including sleet storm damage amounting to \$6,174.76, or at the rate of \$5,583.68 for the year. For the months of July and August, 1918, the total operating expenses were \$1,291.77, or at the rate of \$7,750.62, for the year. There was no explanation offered in evidence for the abnormally large increase

in operating expenses for the months of July and August, 1918. The Commission believes that an allowance of \$6,000 annually will be sufficient for operating expenses if the depreciation of petitioner's plant is provided for out of the moneys herein set apart for depreciation and operating expenditures, limited in accordance with the Commission's Uniform Classification of Accounts.*

Petitioner is entitled, by the evidence in this cause, substantially to earnings as follows:

Operating expense	\$6,000 00
Depreciation, 5 per cent.....	1,832 95
Return during war, 6 per cent.....	2,298 30
TOTAL	\$10,131 25

The Commission finds that petitioner's present rates, tolls and charges are inadequate and insufficient to provide necessary revenue during the present high period of operating costs. While rates herein provided will fail somewhat to provide the full measure of revenue to which petitioner is entitled, with a return of normal times the revenues will increase from the natural growth of the business and the operating costs will decline.

It is ordered by the Public Service Commission of Indiana, That effective November 1, 1918, petitioner shall establish the following schedule of rates, tolls and charges:

	<i>Gross</i>	<i>Net</i>
Individual business telephones, Roann and Chili.....	\$1 85	\$1 75
Individual residence telephones, Roann and Chili.....	1 60	1 50
Party line, residence telephones, Roann and Chili.....	1 45	1 35
Party line, rural telephones.....	1 45	1 35
Extension telephones	35	25
Desk telephones, extra	20	10

A discount of 10 per cent. per month, per telephone, from the gross rates above provided, will be allowed if bills are paid on or before the fifteenth of the month for which service is rendered, except that bills for telephone service in the country shall be paid quarterly, and the

* See Commission Leaflet No. 67, p. 61.

C. L. 85]

above discount will be allowed if bills are paid on or before the fifteenth day of the second month of each quarter for which service is rendered.

Independent line telephones outside the corporation limits of the town of Roann and outside of the village of Chili will be charged the regular independent line residence rate above provided, and in addition thereto, \$1.25 per year, payable in advance for each one-quarter mile beyond the corporation limits of the town of Roann or beyond the natural limits of the village of Chili.

A deposit equal to three months' rental will be required from all new subscribers, the same to apply on the first three months' rental.

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund shall be invested, and if invested such investment shall be made in government or other high grade listed securities, which shall be held strictly in said fund and used for no other purpose, and which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund for a period of not to exceed one year money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property, items properly chargeable to capital account, but, in such event, petitioner shall pledge to said fund its own notes or bonds bearing interest at the rate of not less than 4 per cent. per annum; said interest to accrue to said fund. Such moneys as borrowed by petitioner shall be repaid in full within one year. In handling said fund petitioner will be held strictly accountable for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated Depreciation Fund; the liability account designated Depreciation Reserve.

It is further ordered, That the prayer of petitioner in all other particulars be, and the same is hereby, denied.

October 25, 1918.

In re ORDER NO. 1931 OF THE POSTMASTER GENERAL PROVIDING FOR AUTOMATIC FILING BY COMMISSION OF RATES ESTABLISHED BY POSTMASTER GENERAL FOR INSTALLATION AND MOVING OF TELEPHONES.

No. 4233.

Decided October 25, 1918.

**Installation and Moving Charges Prescribed by Postmaster General
Considered as Automatically Filed With Commission.**

OPINION AND ORDER.

The Federal Government has by proclamation of the President of the United States taken over the control of the telephone systems of the country, and the President has appointed A. S. Burleson, Postmaster General, as the director of telephone systems and lines under Federal control.

The Postmaster General pursuant to such authority issued Government Order No. 1931, which is as follows:

"Owing to the necessity for conserving labor and material and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installations; also a charge for all changes in location of telephones.

Installation charges to be as follows:

Where the rate is \$2.00 a month, or less.....	\$5 00
Where the rate is more than \$2.00 but not exceeding \$4.00 a month	10 00
Where the rate is more than \$4.00 a month.....	15 00

The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change."

Thereafter the Postmaster General issued the following explanatory instructions:

"OFFICE OF THE POSTMASTER GENERAL,

WASHINGTON, Sept. 14, 1918.

Order No. 1931, issued by me under date of August 28, provided certain charges for all installations of telephones on and after September 1, 1918, also a charge for the 'moving' of telephones. On account of

C. L. 85]

the many inquiries regarding the order, the following instructions are issued:

1. Installation charges made effective by Order No. 1931 shall be referred to by telephone companies and collected from subscribers as 'Service Connection Charges' and shall be based on the minimum net rate charged to the subscriber. These service connection charges shall be collected from all applicants for new or additional service at the time of application and before such new service or additional service is established.

2. In cases of 'Changes of Name' or where no lapse service occurs, the minimum charge of \$3.00 shall apply in all cases.

3. Service connection charges do not apply to extension bells, push buttons, buzzers, or miscellaneous equipment of like character, nor to directory listings.

4. With the exceptions above noted the service connection charge shall apply to each class of service and class of equipment furnished the applicant for which the company shall have a regular separate established rate, and the amount of the service connection charge shall be determined by the amount of the regular established rate, in accordance with the terms of Order No. 1931.

5. All subscribers who pay the service connection charges established under Order No. 1931 shall be relieved of any other service connection charges, cancellation charges, charges made in liquidation of damages on account of short terms, and short term rates; and the use of one year or any other period in excess of one month as a minimum contract period for telephone service.

6. The 'Moving Charge' referred to in Order No. 1931 applies only to changes in the location of equipment on the premises. Such changes are generally known as 'Inside Moves'. For purposes of economy in administration and for the convenience of the public the charge for moving a telephone set from one location to another on the same premises shall be \$3.00. The charge for moving all other equipment from one location to another on the same premises shall be based on the cost of labor and material.

7. Order No. 1931 abolishes the distinction heretofore made by some companies between a new installation or a new service connection and an 'Outside Move'; and all changes in the location of the subscriber which have heretofore been described as 'Outside Moves' will hereafter be treated as new 'Service Connections,' and subject to the service connection charges of Order No. 1931 and of these instructions supplementary thereto.

8. Service connection charges do not apply to the service known as 'Service Stations' or 'Switching Service', and they do not supersede special installation or construction charges or mileage charges of any kind."

The Public Service Commission of Indiana desiring to cooperate with the Federal Government in the control of telephones, and believing that the simplest and most efficient procedure should be adopted, is of the opinion that the rates for installation charges and moving charges as prescribed by the Postmaster General should automatically be filed as a part of the rate schedules of all telephone companies now on file in the office of the Public Service Commission of Indiana.

It is, therefore, ordered by the Public Service Commission of Indiana, That Government Order No. 1931, issued by Postmaster General Burleson, and the instructions issued by him in connection therewith on September 14, 1918, be, and the same are hereby, automatically filed and made a part of the schedules of rates of all telephone companies now filed with the Public Service Commission of Indiana.

Such rates for installation charges and moving charges, and the rules and instructions issued by the Postmaster General, and above set out, shall hereby be considered as having been filed with the Public Service Commission of Indiana by all telephone companies within the State, and shall be of the same force and effect as if such charges and instructions were actually so filed by each of such companies.

October 25, 1918. _____

INDIANA HOTEL COMPANY *v.* DAVID R. FORGAN *et al.*,
RECEIVERS, CENTRAL UNION TELEPHONE COMPANY.

No. 1881.

Decided October 29, 1918.

**Rehearing of Order* Requiring Physical Connection with Hotel's
Private Exchange System Denied.**

Receivers of Central Union Telephone Company sought a rehearing of the order† of the Commission requiring it to install 6 trunk lines

* Suit to set this order aside was brought in the Superior Court November 12, 1918.

† See Commission Leaflet No. 82, p. 1309.

C. L. 85]

and a switchboard in Claypool Hotel for use in connection with room telephones installed by the Indianapolis Telephone Company, and now connected with that company. Heretofore the Central Union Company has maintained booths in the lobby.

Held: That dissimilarity of equipment and instrumentalities was not in itself conclusive that physical connection would result in substantial detriment to service, as claimed by the respondent, for if respondent and allied companies were to enforce a rule of refusing service except to exchanges and systems having identical or uniform equipment and instrumentalities, a demoralization of telephone service would result. Long distance calls and toll messages originating or terminating on systems with divergent equipment and instrumentalities were accepted by respondent, and such calls were not refused on account of the impairment of the standard of service heretofore rendered by respondent to the public. The hotel company was required to maintain its lines and equipment in a reasonably efficient operating condition and any failure of its equipment to render adequate service could be remedied by an order by the Commission;

That the hotel's telephone plant and system was within the definitive terms of the Utility Commission Act and the hotel, in so far as the ownership, management and control of its telephone plant was concerned, was a public utility, and if the hotel company were to charge exorbitant rates, the fixing of such rates for service would properly be a matter falling within the jurisdiction of the Commission;

That although the hotel company had not filed annual reports and had not officially recognized the regulatory restrictions imposed by law, and had not obtained a certificate of public convenience and necessity, its identity as a public utility was not changed;

That the hotel company was entitled to physical connection under the provisions of Section 8 of the Utility Commission Act, as public convenience and necessity required a physical connection, and it would not result in irreparable injury to the owners or users of the facilities of respondent, nor in any substantial detriment to the service to be rendered by respondent;

That national control, and public and national war time necessity demanded such physical connection. The Commission took official notice of the fact that the Federal Government had taken over the control of all telephone properties, and while the Receivers were protesting against the unification of service, the Postmaster General was urging, if not demanding, the same. No single or individual telephone service in Indianapolis presented such a need for connection and unification as was presented by the one in this instance;

That the rates previously authorized for the trunk line connections were not considered discriminatory as against other hotel companies, since no comparison could be made with them, as no other hotel in Indianapolis owned and operated its own plant and system.

OPINION AND ORDER.

In passing on this petition for rehearing, the Commission is reluctantly impelled to an expression of its disappointment at the failure of the respondent to abide a decision* herein which, other than being based on the law, was designed to operate as a measure of local war service. The need for immediate unification of telephone service is obvious. A vigorous cooperation with the important war policies of the Federal Government in the administration of the telephone systems and service of the country is a national obligation that transcends petty technicalities and selfish interest. True, no telephone utility should be called upon unnecessarily to sacrifice substantial property interests, or to suffer irreparable damage. But the evidence herein did not disclose the possibility of respondent suffering any such loss or damage from acceptance of the order heretofore entered.

The respondents have, however, a legal right to proceed, and it is the duty of the Commission fairly to consider the several reasons assigned as grounds for a rehearing herein.

The first reason for rehearing assigned by respondents is as follows:

"The Commission erred in finding that the petitioner as a matter of its right to adequate service is entitled to trunk line connection with the Central Union Telephone Company, for the reason that such finding is not supported by sufficient evidence,—is contrary to law, and does not sufficiently consider the responsibility imposed upon the respondents to render efficient service to the other subscribers of the facilities afforded by the respondents, and does not consider the necessity that the respondents have complete control over all instrumentalities connected with their telephone system, or the uniformity of such instrumentalities, and that such finding establishes the principle of private ownership of telephone equipment, thereby permitting the connection of a variety of equipment, much of which would be inferior in quality and design, with the system operated by the respondents, which connections will result in the impairment of the standard of service heretofore rendered by the respondents to the public."

* See Commission Leaflet No. 82, p. 1309.

C. L. 85]

The Commission is of the opinion that the petitioner, Indiana Hotel Company, is as a matter of its right to adequate service, entitled to trunk line connection with the Central Union Telephone Company. That there is ample evidence and legal authority to support such finding. The Commission fully considered the responsibility imposed upon respondents to render efficient service to other subscribers of the facilities afforded by respondents. The necessity that the respondents have complete control over all instrumentalities connected with their telephone system, or the uniformity of such instrumentalities, was likewise considered.

The respondents at other places in the State connect with, and render service to telephone systems, the instrumentalities of which are not under the control of respondents. At Fort Harrison, and Alexandria, Indiana, respondents made such connection and rendered such services. At various points switching service is rendered to farmers' lines. In these cases there is not a uniformity of instrumentalities. In explaining the situation at Fort Harrison, the manager of the respondents' business said, in substance, that war necessity and a desire to render a war service led respondents to render the service, and make such connection. The same reasons would apply to the rendering of services to the petitioner, and if any distinction exists it is a difference in degree of service and not of kind.

Joint telephone service involving the use of various kinds of equipment and instrumentalities is now, and has been in existence in Indiana for years.

If respondents and allied companies were to enforce a rule of refusing service except to exchanges and systems having identical or uniform equipment and instrumentalities, a demoralization of telephone service would result. Long distance calls and toll messages originating or terminating on systems with divergent equipment and instrumentalities are accepted by respondents, and such calls are not refused on account of the

"impairment of the standard of service heretofore rendered by respondents to the public."

A dissimilarity of equipment and instrumentalities is not at all conclusive that a connection between them would result

"in any substantial detriment to the service to be rendered"

by respondents. Certainly such a conclusion if reasonable would have found expression in Section 8 of the Act providing for physical connections.

Furthermore, the Commission has required the petitioner to maintain its lines and equipment in a reasonably efficient operating condition and gave the respondents the right of inspection.

Any failure of petitioner's equipment to render reasonably adequate service must under the Commission's order be remedied.

The second reason assigned by respondents is as follows:

"The Commission erred in finding that petitioner is a public utility within the definitive terms of the Indiana Utility Act, for the reasons that such finding is not supported by sufficient evidence and is contrary to law."

The following is the pertinent portion of the first Section of the Shively-Spencer Utility Commission Act:

"That the term, 'public utility' as used in this Act shall mean and embrace every corporation . . . that now or hereafter may own, operate, manage or control . . . any plant or equipment within the State for the conveyance of . . . telephone messages . . . either directly or indirectly to or for the public."

The evidence fully discloses that the petitioner is a corporation owning, operating, managing and controlling a plant and equipment within the State for the conveyance of telephone messages directly and indirectly to and for the public.

The petitioner's telephone plant and system falls precisely within the definite terms of the Act, and the Commission cannot escape the conclusion that petitioner, insofar as the ownership, operation, management and control of its telephone plant and equipment is concerned, is a

C. L. 85]

public utility. Assuming for the moment, that petitioner was arbitrarily to fix a rate of 25 cents for each local telephone call made by its guests — or was to establish exorbitant toll rates for messages originating on its system — could it be said that the fixing of such rates of telephone service to be paid by the public was not properly a matter falling within the jurisdiction of the Commission? The law and public necessity demands the regulation of telephone rates paid by the public, and the only basis or justification for the regulation of such rates, is that the company imposing them is a public utility. Certainly when the petitioner's telephone property and business is so specifically described and defined as a public utility, and there is an apparent need of regulation, it would be an unreasonable interpretation or construction of the law that would exclude petitioner from the operation of the Act.

Where public necessity and convenience is involved, where rates for recognized utility service are involved, it would seem that a liberal construction and interpretation of the Act are necessitated. A liberal interpretation, however, is not necessary in the instant case.

The fact that petitioner has not filed reports and has not officially recognized the regulatory restrictions imposed by the law does not change its identity as a public utility. Nor is a certificate of public convenience necessary. The telephone plant and system of petitioner was constructed in 1903, and was being operated, and was an existing public utility in 1913 at the time of the passage of the Shively-Spencer Utility Commission Act.

The third reason assigned by respondents is as follows:

“The Commission erred in finding that the petitioner as a public utility is entitled to physical connection with the Central Union Telephone Company, for the reasons that such finding is not supported by sufficient evidence; is contrary to law; that such connection is not required by public convenience and necessity; and that the same will result in irreparable injury to the respondents as owners of their telephone system and to the other users of the equipment of the respondents, and in substantial detriment to the service which the respondents are required to render to the public.”

It has sufficiently been shown that petitioner in the ownership, operation, management and control of the telephone plant and equipment is a public utility. Section 8 of the Shively-Spencer Utility Commission Act as hereto pertaining is as follows:

"Every public utility for the conveyance of telephone messages shall permit a physical connection or connections to be made, and telephone service to be furnished, between any telephone system operated by it, and the telephone toll line operated by another such public utility or between its toll line and the telephone system of another such public utility or between its toll line and the toll line of another such public utility, or between its telephone system and the telephone system of another such public utility, whenever public convenience and necessity require such physical connection or connections and such physical connection or connections will not result in irreparable injury to the owner or other users of the facilities of such public utilities, nor in any substantial detriment to the service to be rendered by such public utilities. The term 'physical connection' as used in this Section, shall mean such number of trunk lines or complete wire circuits, and connections, as may be required to furnish reasonably adequate telephone service between such public utilities."

The Commission acting under this Section in the issuance of the order* herein, found that the petitioner was entitled to a physical connection with the respondents' lines, and the Commission was and is of the opinion that such finding is supported by sufficient evidence and is clothed with legal authority. The Commission was and is of the opinion that the record herein is conclusive that public convenience and necessity require such physical connection and that such connection will not result in irreparable injury to the owner or other users of the facilities of respondents, nor in any substantial detriment to the service to be rendered by respondents.

The fourth reason assigned for rehearing is as follows:

"The Commission erred in finding that national control of the telephone property of the respondents, as assumed by a proclamation of the President of the United States under the Act of Congress empowering him to assume such control, created a public and national war time necessity

* See Commission Leaflet No. 82, p. 1309.

C. L. 85]

for the granting of the order* entered by the Commission, for the reasons that under the Federal control the obligation imposed upon the respondents to furnish efficient service by means of standard and uniform equipment subject to their control is not less imperative than theretofore; that the reasonable rules theretofore adopted by the respondents, which have prevented them from connecting their telephone system with systems and equipment privately owned and controlled, are not shown to be in conflict with any policy or rule officially promulgated by the Postmaster General of the United States in connection with the operation of telephone properties; and that the petitioner's desire for the connection ordered by the Commission is not based upon national war time necessities, as such petition was filed in the year 1915, and neither the petition nor any evidence offered by the petitioner bases the petitioner's request for the connection sought upon any public or war time necessity."

That the Commission did not err in its finding that national control and public and national war time necessity demanded service and physical connection between the plant and equipment of petitioner and respondents, is so obvious that no real need exists for further consideration of respondents' contention.

In order, however, that the Commission's position be not misunderstood it is, perhaps, well to add to what has already been said, while respondents are acting as the duly authorized Receivers appointed by courts of competent jurisdiction, they are as such Receivers now acting as the agents of the Postmaster General. Although the petition herein was filed in 1915 and does not itself present a war necessity, the Commission must take official knowledge of the fact that the Federal Government has taken over the control of all telephone properties, and that while the agents (Receivers) are here protesting against a unification of service or a physical connection their principal, Postmaster General Burleston, is urging if not demanding the same. It should be understood that while these facts are outside the record and are not controlling, the Commission is constrained to the reference.

The Postmaster General in personally addressing the presiding Commissioner herein has urged the complete

* See Commission Leaflet No. 82, p. 1309.

unification of telephone service; has urged such unification as an urgent war need. No single or individual telephone service in Indiana, perhaps, presents the need of connection and unification so urgently as the one presented by the instant case.

Unification of service as that term is here used, and as applied to this case, resolves itself into the term physical connection, which is authorized by statute. Therefore, the national obligation of respondents is under the findings herein a legal requirement of the State.

The fifth reason for rehearing assigned by respondents is sufficiently covered by the preceding remarks.

The sixth reason assigned is as follows:

"The Commission erred in finding that a proper charge to be paid by the petitioner for the service which respondents are ordered to render is \$54.00 per year for each of 6 trunk line connections, for the reason that the furnishing of service to petitioner at such rates is an unreasonable requirement of respondents, and amounts to a discrimination in favor of the petitioner and against other hotel companies using the service of the respondents at the city of Indianapolis."

Little or no evidence was introduced to aid the Commission in the establishment of a rate for trunk line connections. The rate provided could not, however, be discriminatory as against other hotel companies for the reason that no comparison can be made with them. The record shows that no other hotel in the city of Indianapolis owns and operates its own plant and system, and, therefore, the petitioner's status is clearly distinguished from other hotel companies.

The petitioner, Indiana Hotel Company, provides its own operators, takes care of all repairs and maintenance of its system. The entire operation of petitioner's system is without expense to respondents except the furnishing of trunk lines. Respondents' rate schedule on file provides a rate of \$54.00 per trunk line. The stations within the building are owned by petitioner. Mr. Stickney, the respondents' witness, testified that the hotel rates of respondents provided \$5.00 per year, per station, for tele-

C. L. 85]

phones within a hotel. This rate was to cover installation or maintenance of the system within the building.

"A rate of 54.00 per year covers the charge from the trunk lines from the hotel system to our central office."

If respondents own no telephones within the building and there are no installation or maintenance expenses there could be no justification for the \$5.00 station charge. And if respondent is furnishing only trunk line service, the rates already filed for such service should be imposed.

The Commission is ready, willing and anxious at any time to amend or modify the rates provided upon a sufficient showing by respondents that the rates are inadequate and insufficient, unjustly preferential or discriminatory or in any manner unfair or unjust.

The Commission having given due consideration to the petition for a rehearing herein and being well advised in the premises finds that it should be denied.

It is, therefore, ordered by the Public Service Commission of Indiana, That the petition for rehearing herein be, and same is hereby, denied.

October 29, 1918.

In re CITIZENS TELEPHONE COMPANY OF COLUMBUS FOR
AUTHORITY TO INCREASE RATES.

No. 4050.

Decided November 22, 1918.

Increase in Rates Denied — 5 Per Cent. Fixed for Reserve for Depreciation — 6 Per Cent. Allowed as Rate of Return — Method of Handling Reserve for Depreciation and Maintenance Funds Discussed — Bond Discounts Required to be Amortized.

Applicant sought authority for an increase in rates at Columbus, Clifford and Elizabethtown. The Commission's engineers found the reproduction cost new less depreciation of the property to be \$131,709, including an allowance of \$10,000 for working capital and going value, using average unit costs for the past five years. Included in the estimated

operating expenses for 1918 was a reserve for depreciation allowance of \$4,200 and against this \$150.76 was charged for depreciation expenditures. Considering that there would be an increase of \$2,466 in operating expenses, the net return for 1918 was estimated to be approximately \$8,738.57.

Held: That after allowing for all annual increases in expenses, present rates would yield a return of approximately 6.7 per cent. on \$131,709, the estimated value of the property, and as the Commission had during the war period usually only allowed a return of 6 per cent. present rates were considered reasonable, and as such rates conformed to the policy of the Federal Government now operating the telephone utilities of the country, that rates should be sufficient to render adequate service and meet operating expenses, reserve for depreciation and a fair return without imposing undue burdens on the patrons, the petition for increased rates should be dismissed;

That an allowance of 5 per cent., or \$5,850, of the reproduction cost new less depreciation of the property should be set aside annually for reserve for depreciation;

That a deduction from operating expenses was justified because applicant had been charging depreciation expenditures to the operating account, but as the difference in the amount for reserve for depreciation set up by the applicant and the amount allowed by the Commission about equaled the deduction that should be made, the figures would not be changed. However, a definite reserve for depreciation fund should be set aside by the applicant and depreciation expenditures charged only to it;

That in making a valuation no allowance should be made for additional property values equivalent to bond discounts as it was the policy of the Commission to require their amortization. The contribution of money for the addition of property values to be credited to capital account was primarily an obligation of the stockholders and their inability to furnish the needed capital was no justification for demanding that patrons should bear that burden, as their obligation was limited to paying a fair return on the property in use and useful for their service.

OPINION AND ORDER.

Petitioner owns and operates a telephone system in Bartholomew County, with exchanges at Columbus, Clifford and Elizabethtown, with its principal place of business at Columbus.

The petition in part is as follows:

" That its present schedule of rates is discriminatory in some particulars and to such extent is unlawful; that the schedule of charges thereunder permitted to your petitioner are inadequate and too low; that the

C. L. 85]

revenue afforded thereby is wholly insufficient to meet the necessary operating and maintenance expenses, depreciation, contingent emergencies and a reasonable return upon the investment as well as other proper charges.

That it is imperatively necessary to your petitioner that its schedule of rates and charges be revised to the end of affording needed relief in the premises, and that it is to the interest of the public served that an adequate return be had by your petitioner.

Your petitioner would further respectfully represent and show that its proper charges for service are not, in many cases, paid promptly when due; that its present discount for prompt payment applies only to the city of Columbus; that a collection expense is thereby occasioned your petitioner which is altogether unjustifiable and that it results in discriminatory practices, and is unjust to those patrons who do faithfully and promptly meet their charges; that it is just and equitable that a penalty be uniformly imposed incident to unreasonably delayed payments, to the end that the expense occasioned thereby may be proportionately borne by those who occasion such expense.

Wherefore, petitioner respectfully prays that your Honorable Commission permit it to increase its rates, and grant it such measures of relief in the premises as may be found to be just and proper and for all other and further appropriate relief."

After due notice to the officials, newspapers and commercial organizations of the city and towns affected, the matter was heard at the offices of the Public Service Commission of Indiana at Indianapolis on the twenty-sixth day of September, 1918.

PROPERTY VALUES.

An appraisal of petitioner's property and an audit of its books have been made by the staff. The engineers found the present physical value of petitioner's property to be \$121,709. While contending that this evaluation is considerably less than the real value of the property, petitioner failed, however, convincingly to point out specific instances of undervaluation. The appraisal by the Commission's engineers represents merely the cost of reproduction new, less depreciation, and bears no relation, so far as actual investigation is concerned, to the investment in the property.

In arriving at this valuation, however, the engineers applied averaged unit costs, including the abnormally high 1918 war costs. Much of the property appraised was constructed more than five years past and, of course, the application of five-year averaged unit costs, which included the enhanced prices of materials in 1917 and 1918, would reflect values considerably in excess of original cost, or prudent investment. The use of such averages would more than offset any undervaluation by the Commission's engineers.

For purposes of considering the questions presented, the physical value found by the Commission's engineers will be used as the basis of calculation. Such figures are tentative, and are not finally accepted and fixed. The reasonable or true value of petitioner's property may be greater or less, but there is no evidence before the Commission which would justify any substantial addition to the present physical values found by the engineers. For purposes of calculation, there will be added to the above physical value \$10,000 for working capital and going value, making the tentative estimated value of petitioner's property for purposes of calculation \$131,709.

BOND DISCOUNT.

Petitioner insists that its present property value should be credited with substantial bond discounts suffered in the past. It is pointed out by petitioner that in the purchase of a portion of the property, it was necessary to borrow money, and that to secure the same bonds were issued and sold. That it was necessary to sell such bonds at much less than par, and that while only the actual realization on the bonds sold went into the property, yet it was necessary for the company to assume the obligation of the face value thereof. Therefore, petitioner insists that additional property values, equivalent to the bond discount, should be allowed. The Commission cannot concur in such a conclusion. The permanent attachment of fictitious property values is for many reasons objectionable, and as applied to

C. L. 85]

rate-making is unjustifiable. Securities issued and sold in pre-regulation days, about which the Commission had no knowledge, and over which it had no supervision, cannot now be called up for the purpose of recouping in the form of permanently attached property values, the discount suffered.

It is well settled that no allowance should be made in a rate valuation for discount, representing the expenses of obtaining money: *Thomas v. Jefferson City Light, Heat and Power Company*, P. U. R. 1917, B 745; [Re] *Atchison, Topeka and Santa Fe Railroad Company*, P. U. R. [1917], F 272; [Re] *Colorado Springs Light, Heat and Power Company*, [P. U. R.] 1917, F 385; *Re City Water Company*, P. U. R. 1917, B 624; *Pine Lawn v. West St. Louis Water and Light Company*, P. U. R. 1917, B 679; *Greensburg v. Westmoreland Water Company*, P. U. R. 1917, D 478; [Re] *Potomac Electric Power Company*, P. U. R. 1917, D 563.

The corporate property of a utility is not primarily chargeable with the obligation of providing new capital for added property values. The contribution of money for the addition of property values, which are credited to capital account, is primarily an obligation of the stockholders. The inability of the stockholders to furnish the needed capital is no justification for demanding that the consumer be burdened by paying a return on imaginary values representing the discount suffered, due to the stockholders' financial inability.

Bond discount, in the final analysis, is interest. Bond salesmen and investors so interpret discounts, as is shown especially in the sale of short term bonds and notes, the rate of return being computed on the basis of the rate of interest specified, plus the discount translated into terms of interest per annum.

Take the hypothetical case of a public utility corporation that, in making a \$100,000 extension of its property, raises part of the money by selling its credit, and instead of issuing 6, 6½ or 7 per cent. bonds that would sell at

par, issues \$50,000 of such credit bearing a 5 per cent. rate of return obligation and sells it at 80 per cent. of par and thus raises \$40,000 of the necessary funds. The yield of a \$1,000 bond under such conditions would not be represented by bond houses, or accepted by investors, as being 5 per cent. Instead it would be computed as yielding 6.25 per cent., plus a final realization of \$200.

The rates of the utility under state regulation should be made to yield a reasonable return on the investment — it might be 7 per cent. on the investment. The patrons, in this instance, would not only pay the 6.25 per cent. actual interest on the \$40,000 thus obtained for its use, but also three-quarters of one per cent. earning on this money. If the \$50,000 of bonds ran for thirty years, the patrons would pay all the interest on the money thus contracted for and, in the said period of thirty years, would also pay \$9,000 in excess of such actual interest — or an earning of \$9,000 to the company on this money, which margin of profit could be increased by handling of such moneys so that they would return compound interest.

If, in addition to this, there is capitalized against the patrons the \$200 discount, they would (on the basis of a 7 per cent. return) during the period of thirty years pay \$21,000. At the end of the thirty-year life of the bonds, the bonds could be retired. The discount against the patrons would, however, continue in perpetuity. If the public utility corporation should continue for one hundred or one thousand years, the patrons would keep on paying on this capitalized discount the ascertained rate of return on investment, though they had, in the period of thirty years, discharged with a profit the bonds on which the discount was suffered.

Bond discount measures the financial standing of a corporation and the rate of interest it offers. Patrons are not to be obligated to carry the lack of credit of the utility. Their obligation is limited to paying a fair return on the safe and prudent investment in the utility that is in use.

C. L. 85]

and useful for their service. Being called on to yield a reasonable return on such property, it is none of the patron's concern as to whether the stockholders put their own money into the company, or have gone out and borrowed it, whether the money thus obtained has cost 4, 5, 6, 7 or 8 per cent., or the company has deemed it advisable to make their securities bear such interest as will result in them selling at par, or have seen fit to make the rate of interest such that a discount is necessary.

If public utilities propose to capitalize discount, why should not their patrons with greater justice, propose that there shall not be capitalized against them the profit represented by interest rates that happen to be lower than the rate of return allowed on investment?

The proposal to capitalize discount cannot stand in the light of analysis. Large interests have abandoned such contentions. In the brief of the carriers in the matter of the Federal valuation of railroads, filed with the Interstate Commerce Commission, the Presidents' Conference Committee says:

"The rate of return should, of course, cover the element of discount, for discount is simply a method of equalizing interest."

It is the policy of this Commission to require the amortization of discount on securities issued under its authority. The purpose of such amortization, among other things, is to maintain a parity between the par value of the bonds sold, and the value of the property added from the proceeds of the sale.

INCOME ACCOUNT.

The following is the petitioner's income account for nine months, ending September 30, 1918, and for the calendar year of 1918, based upon the company's experience during the first nine months:

	Nine Months January 1, 1918,* to September 30, 1918	Estimated Twelve Months, January 1, 1918, to December 31, 1918
<i>Operating Revenues:</i>		
Substation revenue rental	\$27,297 38	\$38,396 51
Toll revenue	2,978 33	3,971 11
Messenger revenue	6 00	8 00
Directory advertising		
Contract earnings	16 90	22 53
Miscellaneous revenues	68 79	91 72
TOTAL	\$30,367 40	*\$40,489 87
Less discounts and rebates	313 41	417 88
TOTAL OPERATING REVENUES	\$30,053 99	\$40,071 99
<i>Operating Expenses:</i>		
Maintenance	\$6,967 44	\$9,289 92
Traffic	6,523 22	8,697 63
Commercial	1,046 30	1,395 07
Rent of offices	378 00	504 00
Contact and pole rental	702 32	936 43
General	4,066 51	5,422 01
TOTAL OF ABOVE ITEMS	\$19,683 79	\$26,245 06
Taxes	1,749 96	2,333 28
Uncollectible accounts	225 00	300 00
TOTAL OPERATING EXPENSE	\$21,658 75	\$28,878 34
NET OPERATING REVENUE	\$8,395 24	\$11,193 65
<i>Non-operating Revenues:</i>		
Discount on purchases	8 19	10 92
Gross income	\$8,403 43	\$11,204 57
<i>Deductions From Gross Income:</i>		
Interest on bonded debt	\$1,607 92	\$2,143 89
Interest on notes payable	282 50	376 67
TOTAL DEDUCTIONS	\$1,890 42	\$2,520 56
NET INCOME	\$6,513 01	\$8,684 01

* An error is apparent.

DEPRECIATION.

Included in the maintenance expenses for the nine-months' period, there is \$3,150 for depreciation. Upon this basis the depreciation allowance for the year, as above shown, is \$4,200. An analysis of the depreciation reserve account for the nine-months' period shows but \$150.76 charged against said \$3,150 set up. A further analysis of the depreciation reserve account discloses that on July 1, 1914, there was \$50,432.16 set up on the books for depreciation, and thereafter book entries of credits and debits to depreciation reserve were as follows:

	<i>Credit</i>	<i>Debit</i>
July 1, 1914, balance.....	\$50,432 16	.....
June 30, 1915	7,198 44	\$451 61
June 30, 1916	7,198 44	.....
April 12, 1916	261 17	.....
December 31, 1916	391 00	1,112 92
June 30, 1917	4,200 00	286 30
December 31, 1917	2,200 00	518 89
September 30, 1918	3,150 00	150 76
	<hr/>	<hr/>
	\$75,031 21	\$2,520 48
	2,520 48	

Balance September 30, 1918..... \$72,510 73

This is a book balance and does not represent cash. Thus, there is a book accumulation of depreciation reserve equal to more than three-fifths of the value of the depreciable property. Excluding the entry of July 1, 1914, of \$50,432.16, the company has met all demands for current depreciation and there still remains a four-year accumulation of depreciation reserve, amounting to \$22,078.57. This property, in age, has passed beyond the early stages when depreciation charges are small. The age of the property is such that current and accrued depreciation should be fairly constant. This being the case, and assuming that petitioner has property charged to depreciation reserve, all expenditures for renewals, wear and tear, inadequacy, obsolescence, etc., if its experience for the past four years

were to continue for sixteen additional years, and rate allowance for depreciation made on the same basis, the property at the end of such period would be in approximately the same condition as at present, and there would, or rather should be, a cash accumulation of depreciation reserve, approximately equivalent to the present value of the property, no consideration being given to interest accruing.

The replacement or renewal of larger units of the property might, of course, modify such an expectancy, but the above conclusion, under the assumption, fairly represents the possibilities.

Such a development is unreasonable. What is actually happening, and the conclusion is fairly substantiated by the evidence, is that petitioner is charging depreciation expenditures to current operating expenses. Thus, if rate allowance is made for the full operating expenses, as shown by the company's books, and full rate allowance is made for depreciation, there is naturally a duplication of allowance. Under such a condition, the company would be able to maintain its property in fair condition and make such use of the funds provided for depreciation as it might desire.

This petitioner insists, as do many others, that rates of depreciation allowed by the Commission are insufficient. Yet, almost without exception, an examination of the books of such companies reveals that they are charging very few expenditures to depreciation reserve. Just as in this case, if the charges against the depreciation reserve account were accepted as indicating the depreciation requirements of petitioner, a depreciation rate much lower than ordinarily allowed by the Commission would perforce be provided.

The rate payers should not be taxed with a large operating expense, including expenditures properly chargeable to depreciation and also with a return on investment, and in addition be required to pay a full rate of depreciation which may be utilized by the company or the stockholders, as they may see fit.

C. L. 85]

The rate of depreciation allowed for telephone properties, or any utility property for that matter, is more or less an arbitrary and unscientific allowance, unless there is a clear understanding and requirement as to what items of expenditures are to be charged against depreciation reserve. Apropos of this point, what good is accomplished by determining the theoretical life of the various units of a property and by conforming a rate of depreciation thereto, if the fund created by such rate is to be a mythical thing, and the utilities left to their own devices with regard to the depreciation charges to be made? Commissions are as much, if not more, at fault than the utilities. To enable utilities to handle their depreciation accounts and funds in a safe and businesslike manner, this Commission, in several cases, has required the actual moneys provided for depreciation to be set aside in a separate fund and held and expended strictly for depreciation purposes. This step would be supplemented by distinguishing maintenance (ordinary repairs) and depreciation. Much has been said on this subject, and the general opinion seems to be that such a distinction in practice cannot satisfactorily be made. A proper rejoinder, it seems, to this conclusion is that practically all utilities are now making such a distinction, but each makes its own distinction, and has a separate rule or an individual method of classification. A chaotic condition has resulted, and utilities, especially telephone, are at their wit's end in making charges against maintenance and depreciation. The natural result has followed. Many utilities are charging the bulk of depreciation expenditures to ordinary maintenance or repairs, and operating expenses are thereby inflated. In a rate case, this situation demands the closest scrutiny and separation of operating expenses, which frequently is a futile endeavor.

If the present method of fixing rates of depreciation is to be followed, there is an urgent need for the distinction to be drawn. It is not so much a matter of drawing a precise and scientific line of demarkation, but the real necessity is for some line to be drawn, and once drawn uniformly

followed. Utilities would then know what to charge to maintenance and what to depreciation. Depreciation rates could then be fixed with some degree of precision and correctness.

This Commission is now making an effort to establish for telephone utilities uniform classification of charges to depreciation. This, of course, is a difficult task, but it is hoped that practical results will be attained.

It is contended by some authorities that a blanket allowance can well be made, which will include both depreciation and maintenance. In practice this may be an easy method of disposing of a vexatious problem. Where the law, however, places restrictions upon the depreciation fund, and if the basis conception of the purposes of the depreciation fund is followed, which embraces a potential interest of the rate payer therein, there must, of necessity, be a separation of the accounts and funds.

In the instant case, petitioner has charged certain depreciation expenditures as operating expenses, and inasmuch as an adequate allowance will be made for depreciation, a deduction from operating expenses is justified. Petitioner in 1918 has set up, however, only \$4,200 for depreciation, whereas the Commission believes that 5 per cent. of the value of the depreciable property, or \$5,850, is a more reasonable allowance. The deduction from operating expense, which is justified, is approximately equal to the difference between the depreciation set up by petitioner and the amount that will be allowed by the Commission. Therefore, for the purpose of considering the matter, the figures will not be disturbed.

Petitioner will be required hereafter to pay the amount allowed for depreciation into a separate fund, which will be disbursed in accordance with the appended order.

A summary of the above estimated income account for the year 1918, is as follows:

Gross revenues	\$40,082 91
Total operating expenses, including taxes and depreciation	28,878 34
NET RETURN	\$11,204 57

C. L. 85]

or a return of approximately 8.5 per cent. on \$131,709, the estimated value of the property.

Petitioner shows, however, that there has been an increase in operating expenses, not reflected in the operating expenses for the nine-months' period ending September 30, 1918. Petitioner submitted an itemized statement of such increases, which aggregated \$2,466 annually. Accepting this statement without analysis, and adding this amount to operating expenses shown in the above summary, the income account for the ensuing year should be as follows:

Gross revenue		\$40,082 91
Operating expenses	\$28,878 34	
Increase	2,466 00	31,344 34
NET RETURN		\$8,738 57

or a return of approximately 6.7 per cent. on \$131,709, the estimated value of the property.

The Commission has, during the war period, usually allowed a return of 6 per cent. The net revenues of the company, after the payment of the full increase in operating expenses submitted by petitioner, would pay a 6 per cent. return on a property value of \$145,000. So, accepting petitioner's contention for greater property values, still the present rates would yield an ample return.

Petitioner could meet \$836 further increase in operating expenses, and still have sufficient net revenue to pay a 6 per cent. return on the value of the property, based on the staff's estimate.

Petitioner's annual revenues have shown a steady growth, as the following statement discloses:

Gross revenues, year ending June 30, 1915.....	\$35,404 79
Gross revenues, year ending June 30, 1916.....	36,396 65
Gross revenues, year ending June 30, 1917.....	37,603 65
Gross revenues, year ending June 30, 1918.....	40,082 91

The operating expenses during the same period have increased as follows:

Operating expenses, year ending June 30, 1915.....	\$24,650 99
Operating expenses, year ending June 30, 1916.....	25,716 92
Operating expenses, year ending June 30, 1917.....	23,791 07
Operating expenses, year ending June 30, 1918.....	28,878 34

During the four-year period, the increase in revenues has fairly kept pace with the increased operating expenses, increased revenues being \$4,678.12 and increased expenses, \$4,227.35. The increased revenues in 1918 over 1917 were \$2,479.26. If, during the year 1919 a similar increase in revenues is experienced, it will practically absorb the increased operating expenses of \$2,466. This, however, is not necessary, for the reason that the revenues of 1918 are sufficient to pay such increase and still permit a reasonable return to be earned.

In addition to the natural increase in business and revenues, the installation and moving charges initiated by the Postmaster General will add to the revenues of the company.

The Federal Government is now controlling and operating this telephone utility, as well as the others of the country. It should be, and no doubt is the policy of the Federal authorities to operate the various telephone systems of the country with rates which will assure the rendition of adequate service, and which are sufficient to meet operating expenses, depreciation, and a fair return on investment, and which, at the same time, will not impose undue burdens on the patrons. The petitioner's existing schedule of rates appears fairly to conform to this policy. It does not appear that an increase in rates is justified.

Having given due consideration to the matter, the Commission finds that the existing rates of petitioner are reasonable and sufficient, and that the petition for increased rates should be denied.

The Commission further finds that the petitioner should set aside annually for depreciation 5 per cent. of the value of its depreciable property which, on the basis of present values, amounts to \$5,850.

It is, therefore, ordered by the Public Service Commission of Indiana, That the petition herein for increased rates be, and the same is hereby, denied.

It is further ordered, That petitioner shall set aside annually for depreciation 5 per cent. of the value of its physical property, less lands, materials and supplies.

C. L. 85]

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund should be invested, and if invested, such investment shall be made in government or other high grade listed securities, which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property, items properly chargeable to capital account, but, in such event, petitioner shall pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund, petitioner shall be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

November 22, 1918.

FARMERS MUTUAL TELEPHONE COMPANY v. PUBLIC SERVICE
COMMISSION OF INDIANA.

Decided November 23, 1918.

Rehearing Denied of Decision Affirming Order of Commission Establishing a Physical Connection.

On November 23, 1918, the Supreme Court of Indiana denied, without further opinion, a petition for a rehearing of its decision of June 6, 1917, (see Commission Leaflet No. 67, p. 62), affirming the order of the Whitley Circuit Court, which in turn had affirmed the orders of the Commission (see Commission Leaflets No. 46, p. 1140, and No. 53, p. 1253) directing the Farmers Mutual Telephone Company and the Whitley County Telephone Company to establish physical connection between their li

In re APPLICATION OF CENTRAL INDIANA TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Case No. 3359.

In re APPLICATION OF CENTRAL INDIANA TELEPHONE COMPANY FOR AUTHORITY TO DISCONTINUE FREE SERVICE TO CONNECTING COMPANIES AND TO ESTABLISH A TOLL RATE.

Case No. 3698.

Decided December 4, 1918.

Petition for Rehearing of Order Denying Increase in Rates, Dismissed.

ORDER.

Come now attorneys for petitioner, Romy and Berryhill, and file their motion for dismissal of petition for rehearing of the above numbered causes.*

It is, therefore, ordered by the Public Service Commission of Indiana, That the petition for rehearing be, and it is hereby, dismissed without prejudice.

December 4, 1918.

In re PETITION OF FLAT ROCK TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

No. 3858.

Decided December 4, 1918.

Increase in Rates Authorized Notwithstanding Limitation in Contract under which Property was Purchased — 5 Per Cent. Fixed for Reserve for Depreciation — 7 Per Cent. Fixed as Rate of Return — Motion to Dismiss Petition for Failure of Board of Directors to Properly Authorize Filing, Denied.

OPINION AND ORDER.

On the fourteenth day of May, 1918, the Flat Rock Telephone Company of Flat Rock, Indiana, filed a petition with

* See Commission Leaflet No. 78, p, 1426.

C. L. 85]

the Public Service Commission of Indiana, and respectfully represents and shows:

That it is a corporation organized and doing business under the laws of the State of Indiana;

That its principal place of business is in Flat Rock, Indiana, and that it is a public utility engaged in the management and operation of a telephone plant and system in said Flat Rock, and that as such public utility it is subject to the provisions of the laws of Indiana;

That on the first day of November, 1918, it had in effect the following schedules of rates, tolls and charges:

Business telephones — rate per month.....	\$1 50
Selective telephones — rate per month.....	1 25
Residence telephones — rate per month.....	1 00

That application is hereby made for authority to increase the rates of said applicant for the reason that the present revenue is insufficient to properly operate and maintain said plant.

Due and timely notices were issued and served upon the proper officials of said town, its newspapers and the utility, that the matters contained in the petition would be heard at the office of the Public Service Commission, State House, Indianapolis, Indiana.

Said petition came on for hearing November 13, 1918, and the evidence introduced showed that on the thirty-first day of March, 1900, a contract was entered into by and between Ezra H. Pleak and J. W. Girton, assignors, and John Gant, president, and C. A. Swails, secretary of the Flat Rock Telephone Company, to sell, convey, transfer and assign to the Flat Rock Telephone Company of Shelby County, Indiana, for the sum of \$900, and other consideration hereinafter named, the following described property, and all rights, privileges and benefits belonging thereto:

A telephone line, together with all the appurtenances thereof, such as poles, wires, brackets and cross-arms.

Said contract also provides that said Flat Rock Telephone Company agrees not to make any greater charge

on the present subscribers than they are now charging to the said Pleak and Girton, except by the written consent of said Pleak and Girton, and the said company agrees to comply with all contracts and agreements now made and in force by the said Pleak and Girton or either of them.

It appeared from the evidence that J. W. Girton, protestant by special appearance to this action, moved that the Commission dismiss the petition in this cause for the reason that the Commission has no jurisdiction in this matter, for the following reasons:

That there is no proper petition before the Commission authorizing the Commission to assume jurisdiction; that the petition fails to show that the board of directors of the petitioner met and by proper entry of record authorized the filing of the petition.

This special request of protestant was denied.

It was further contended by protestants that because of said contract between the parties herein mentioned, the Commission was without authority to increase rates.

The Commission is of the opinion that the contract in question is not effective, and to substantiate the position of the Commission, refers to the decision of the Supreme Court of Indiana in the case of *Maurice Winfield, et al. v. Public Service Commission of Indiana and the Logansport Home Telephone Company*,* [118 N. E. 531]. The court said:

"The complaint in this case alleges that in 1901 the city of Logansport granted to the Logansport Home Telephone Company a 'franchise license and permit' to construct and operate a telephone exchange and system of wires, poles and so forth, in said city and over and through the highways thereof; that the term of said franchise fixed maximum rates to be charged for telephone service, providing that under certain circumstances the city might reduce said rates, but in no event shall the city of Logansport, or said grantees or their assigns, increase the rates above the rate set out in the franchise."

The court further states:

"The claim of plaintiffs that in 1901 and prior thereto, the city of Logansport under statutes of the State, had exclusive power over its

* See Commission Leaflet No. 75, p. 427.

C. L. 85]

streets and highways, and the right to make the contract alleged; and that said contract was binding upon said telephone company and said city may, with some reservations, be conceded. Generally speaking such contracts, when [only the rights and interests of the city and utility are being] considered, are valid, binding and mutually enforceable, and unless the public welfare in the judgment of the State requires the legislature cannot impair the obligations thereof. *Louisville N. Gas Company v. State, ex rel. Reynolds*, 135 Ind. 49; *City of Indianapolis v. Consumers Company*, 140 Ind. 116; *City of Rushville v. Rushville Gas Company*, 164 Ind. 163; *Westfield Company v. Mendenhall*, 142 Ind. 533; *City of Noblesville v. Noblesville Gas Company*, 157 Ind. 162; *Muncie N. Gas Company v. City of Muncie*, 160 Ind. 97-101; *Milwaukee E. Railway Company v. Commission*, 238 U. S. 174."

The court further said:

"Such decisions do not, however, apply where the interest of the public generally is involved as it is in general telephone service."

It further appears that the said Flat Rock Telephone Company did not operate under a franchise permit or contract, except such contracts existing between the said Flat Rock Telephone Company and the county commissioners for the use of the public highway.

The Public Service Commission ordered its auditing department to audit the books of said Flat Rock Telephone Company; said audit was made and the report filed with the Commission November 22, 1918. It appears that the operating revenue

For the year 1914 was.....	\$2,435 53
For the year 1915 was.....	2,666 13
For the year 1916 was.....	2,600 82
For the year 1917 was.....	2,564 76
For the year 1918 — Jan. 1 to Aug. 31.....	1,720 73

or a total revenue received for 54 months..... \$11,987 97

or an average of \$221.99 per month.

It further appears that the operating expense for the following years did not include anything for depreciation; however, beginning with the year 1916, the sum of \$262.50 was set aside for depreciation, and for the year 1917, \$513.94 was allowed.

It further appears that the only dividend ever paid was June 1, 1917, the amount being \$1,000.

Operating expense for

1914 was.....	\$1,488 38
1915 was.....	1,878 99
1916 was.....	1,931 94
1917 was.....	2,329 38
1918, Jan. 1 to Aug. 31, 8 months.....	1,779 23

or a total operating expense for 54 months..... *\$10,407 92

* An error is apparent.

or an average of \$192.74 per month, leaving a net revenue per month of \$29.25 for 54 months.

It further appears that said Flat Rock Telephone Company proposes to increase the salary of its two operators from \$1.00 per day to \$1.20 per day, adding additional operating expense for the year of \$146.

It further appears that should the proposed schedule of rates be allowed it would furnish additional revenue per year of approximately \$477.60.

It further appears that the present value of said telephone plant and system is approximately \$3,000.

It further appears that the operating expense including taxes, depreciation and a reasonable return on investment for 1918, is \$2,993.51:

Operating expense	\$1,842 51
Taxes	45 00
Five per cent. depreciation on \$8,000.....	400 00
Seven per cent. return on \$8,000.....	560 00
Estimated increase for two operators.....	146 00
TOTAL	\$2,993 51

The Public Service Commission of Indiana, having heard the evidence and being fully advised in the premises, is of the opinion that the rates now in force and effect are inadequate and insufficient to properly operate and maintain said telephone plant and system, and that an increase should be granted, and it will be so ordered.

C. L. 85]

It is, therefore, ordered by the Public Service Commission of Indiana, That the Flat Rock Telephone Company of Flat Rock, Indiana, is hereby and herein authorized to file with the Public Service Commission, a schedule of the following rates, tolls and charges:

Individual business telephones per month.....	\$1 50
Individual residence telephones per month.....	1 20
City residence telephones per month.....	1 00
Rural party telephones per month.....	1 20
Rural party selective telephones per month.....	1 45
Extension telephones per month.....	50
Extension bells per month.....	25

Said rates, tolls and charges to be in force and effect January 1, 1918, and thereafter, or until further orders of this Commission.

It is further ordered, That the said Flat Rock Telephone Company pay to the Treasurer of State the sum of \$14.84 for expense incurred for auditing the books of said telephone company:

Lawrence Carter, accountant:	
November 19 and 20-2 days at \$5.77.....	\$11 54
Hotel	1 50
Railroad fare	1 80
TOTAL	\$14 84

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund shall be invested, and if invested, such investment shall be made in government or other high grade listed securities, which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the

property — items properly chargeable to capital account — but, in such event, petitioner shall pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

December 4, 1918.

In re APPLICATION OF ROANN TELEPHONE COMPANY FOR
AUTHORITY TO ISSUE ADDITIONAL CAPITAL STOCK.

No. 4001.

Decided December 4, 1918.

Issue of Additional Stock to Reimburse Treasury for Capital Expenditures, Authorized.

OPINION AND ORDER.

On June 11, 1918, petitioner, the Roann Telephone Company, filed its petition with the Public Service Commission of Indiana averring that it is a public utility engaged in the operation of telephone exchanges in the town of Roann and the village of Chili, with lines radiating therefrom to the country adjacent thereto; that it has authorized and outstanding, \$15,000 capital stock consisting of 300 shares of par value of \$50.00 per share; that it prays the Commission for authority to issue and sell \$20,000 additional capital stock to reimburse the treasury for moneys already expended and properly chargeable to capital account.

After due and timely notice had been served upon all interested parties, the matters contained in the said petition were heard September 27, 1918, at the State House,

C. L. 85]

Indianapolis, Indiana. *J. K. Johnston* appeared for petitioner. There were no other appearances.

The evidence introduced in the hearing of this cause shows that petitioner's plant has a valuation of approximately \$38,000. This valuation was adopted by the Commission in the determination of the company's petition to increase rates in P. S. C. I 3963.* In addition to the liabilities in the form of capital stock already outstanding, petitioner has a floating indebtedness of approximately \$6,000, which indebtedness was incurred in the rehabilitation of petitioner's plant following the sleet storm of January, 1918.

The evidence in this cause shows that if the petition were granted, a substantial margin over and above the total outstanding capitalization in values would still remain. Petitioner does not expect to dispose of the securities herein prayed for at this time.

The Public Service Commission of Indiana, having heard all of the evidence in the above-entitled cause, and being fully advised in the premises, is of the opinion that petitioner should be authorized to reimburse its treasury to the extent of \$20,000 additional capital stock herein prayed for and represented by values considerably in excess of this amount. An appropriate order is hereto appended.

It is ordered by the Public Service Commission of Indiana, That the Roann Telephone Company be, and the same is hereby, authorized to issue and sell \$20,000 additional capital stock at not less than 100 per cent. of the par value thereof, the proceeds to be used to reimburse the treasury for capital expenditures heretofore made.

It is further ordered, That the Roann Telephone Company within twenty days from the date of this order shall pay into the treasury of the State of Indiana, the sum of \$30.00, the statutory fee in this cause.

December 4, 1918.

* See *supra*, p. 372.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF POMONA TELEPHONE COMPANY FOR
PERMISSION TO MAKE CERTAIN CHANGES IN ITS RATES
FOR SERVICE.

Docket No. 2662.

Decided October 25, 1918.

**Increase in Rates, War Conditions Considered, Authorized — Additional
Mileage Charge for Service beyond a One-half Mile Radius
from City Limits Authorized — Collection Rules
Ordered Filed.**

ORDER.

On the eighth day of October, 1918, the matter of the application of the Pomona Telephone Company for permission to make certain changes in its rates for service at Pomona, Kansas, upon due notice, came on for hearing at Ottawa, Kansas, and after the taking of the testimony the matter was taken under advisement.

And now on this twenty-fifth day of October, 1918, this matter comes duly on for order, and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that owing to existing war conditions, involving increased operating and maintenance expenses, and in view of additional service now being furnished to adjacent exchanges, petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates covering charges for the various classes of service furnished by it, as hereinafter provided for.

It is, therefore, by the Commission ordered, That the Pomona Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates

APPLICATION OF BURDEN TELEPHONE EXCHANGE. 413

C. L. 85]

providing charges for the various classes of service furnished by it at and through its exchange at Pomona, Kansas, as follows, to-wit:

	<i>Per Month</i>
Individual line business telephone.....	\$1 75
Individual line residence telephone.....	1 25
Party line residence telephone.....	1 00
Rural party line residence telephone.....	1 25
Extension sets, extra, business and residence.....	50
Desk sets, extra, business and residence.....	25

All business and residence rates to be applicable within a radius of one-half mile distance from city limits.

Individual line service beyond one-half mile distance from city limits, a charge in addition to the regular rate to be made of 50 cents per month, per telephone, for each additional one-half mile.

It is further by the Commission ordered, That petitioner be, and it is hereby, authorized to prepare and file for approval collection rules and regulations such as it may deem necessary for the proper conduct of its business.

October 25, 1918.

In re APPLICATION OF BURDEN TELEPHONE EXCHANGE FOR PERMISSION TO FILE AND CHARGE INCREASED RATES AND FOR AUTHORITY TO DISCONTINUE FREE SERVICE TO NEIGHBORING EXCHANGES.

Docket No. 2593.

Decided October 28, 1918.

Increase in Rates, War Conditions Considered, Authorized — Establishment of Toll Charge after Free Five-Minute Period, Authorized.

ORDER.

On the seventeenth day of October, 1918, the matter of the application of the Burden Telephone Exchange for permission to file and charge increased telephone rates and for authority to discontinue free service to neighboring exchanges, upon due notice came on for hearing at Win-

field, Kansas, and after the taking of the testimony the matter was taken under advisement.

And now on this twenty-fifth day of October, 1918, this matter comes duly on for order, and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that owing to existing war conditions, involving increased operating and maintenance expenses, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, and in view of additional service now being furnished to adjacent exchanges, should be authorized and permitted to file an amended schedule of rates, covering charges for various classes of service furnished by it at and through its exchange at Burden, Kansas, as hereinafter provided for.

It is, therefore, by the Commission ordered, That the Burden Telephone Exchange be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after November 1, 1918, providing charges for the various classes of service furnished by it at and through its exchange at Burden, Kansas, as follows, to-wit:

	<i>Per Month</i>
Individual line business telephone.....	\$1 75
Individual line residence telephone.....	1 25
Party line residence telephone.....	1 00
Rural party line residence telephone.....	1 25
Extension sets business	75
Extension sets residence	50
Desk sets, extra (business and residence).....	25
Rural switching fee service (equipment owned by subscribers) per telephone	35
Switching fee service, minimum.....	3 00 per line

It is further by the Commission ordered, That petitioner herein be, and it is hereby, authorized to file and enforce a rule limiting service to its subscribers to telephone exchanges near and adjacent to its own, and to which reciprocal service is now being furnished, messages to be

C. L. 85]

free for the first five minutes, and regular published toll charge to be made for each additional minute or fraction thereof after the operator has notified parties of the expiration of the free time limit; the proceeds of such charges to be divided between the exchanges interested, under the rules and arrangements now in force.*

October 28, 1918.

* On October 25, 1918, similar rulings were made in the following cases:

In re Application of Udall Telephone Exchange for Permission to Charge Increased Rates and for Authority to Discontinue Free Service to Neighboring Exchanges. Docket No. 2591.

In re Application of Atlanta Telephone Exchange for Permission to Charge Increased Rates and for Authority to Discontinue Free Service to Neighboring Exchanges. Docket No. 2592.

In re Application of Lane Telephone Company for Permission to Make Certain Changes in its Rates for Service. Docket No. 2201.

MICHIGAN.

Railroad Commission.

In re APPLICATION OF UNION TELEPHONE COMPANY AND
MICHIGAN STATE TELEPHONE COMPANY FOR AUTHORITY
TO ENTER INTO AN AGREEMENT RELATIVE TO THE
EXCHANGE AND CONSOLIDATION OF THEIR PROPERTIES.

T - 200.

Decided November 6, 1918.

Order Providing for Consolidation of Properties Amended.

ORDER.

The Commission having heretofore on the eleventh day of October, 1918, issued an order* in the above-entitled matter, which said order* was duly served upon all parties in interest, and it appearing that some uncertainty exists in the minds of said parties as to the construction of a portion of said order,* and the hearing in said matter having fully covered all matters concerning which any uncertainty exists, and it having decided to remove any uncertainty as to the construction of said order,*

Therefore, by virtue of the authority vested in this Commission by law, it is hereby ordered, That paragraph Number 5, in said original order be, and the same is hereby, amended to read as follows:*

5. That the patrons of each of said petitioning companies, and the patrons of any of the connecting companies now having access to or service over the lines of said petitioning companies respectively, shall continue to have and enjoy all of such facilities, and in addition thereto shall have access to and service over the lines and facilities, the title to which is acquired by said petitioning companies respectively, subject to the established rates, tolls, and charges for such service, *provided*, however, that such additional service above contemplated shall be limited to mes-

* See Commission Leaflet No. 84, p. 149.

C. L. 85]

sages either originating in or terminating at such merged points, and *provided further*, that lines so acquired, now physically connected with one of two competing local exchanges, shall not be required to be connected with more than one of such exchanges, without further order of the Commission.

It is further ordered, That a verified copy of this order be served upon the Michigan State Telephone Company by delivering said copy to Thomas G. Long, attorney for said company; upon the Union Telephone Company by delivering a copy thereof to Wm. A. Balke, attorney for said company; upon the Valley Home Telephone Company by delivering said copy to A. H. McMillen, attorney for said company; upon the Clinton Telephone Company and the Ovid Mutual Telephone Company by delivery of said copies to George Hunter, attorney for said companies, and that each of said attorneys forthwith acknowledge receipt of said copy.

Dated November 6, 1918.

MINNESOTA.

Railroad and Warehouse Commission.

In re The NORTHWESTERN TELEPHONE EXCHANGE COMPANY.

Decided October 23, 1918.

Billing with Different Discount Periods for Different Exchanges in same City Authorized, in Order to Relieve Congestion — Installation of Prompt Payment Discount Considered Question of a Regulation and not of Rates.

INFORMAL RULING.*

Your communication of October 19 in reference to a solution of your reported congestion in the commercial and accounting offices of the Minneapolis exchange, was duly received.

The Commission has examined your letter and the data attached to the same, and also has sent its representatives to your Minneapolis office and observed the situation on the fourteenth and fifteenth of this month.

The Commission finds that the following facts have been substantiated; that under the present system of billing telephone bills to your Minneapolis subscribers, with all subscribers receiving until the fifteenth of the month in order to take advantage of the discount feature, that a large number of the subscribers waited until the fifteenth day of the month before paying their account; that also at the same time they pay their account they transact other business with the company; that the number of bills handled in your Minneapolis office ranged from 9,000 to 12,000 bills on the one day, the fifteenth of the month. That in addition to this a large number of checks were received for payment, which creates an additional burden upon your accounting force.

That because of the large number of subscribers who

* Letter from Minnesota Railroad and Warehouse Commission to W. B. T. Belt, vice president and general manager of The Northwestern Telephone Exchange Company, Omaha, Nebraska, October 23, 1918.

pay on the fifteenth of the month the public is greatly inconvenienced, due to the crowding of facilities in your general office in the city of Minneapolis, and your subscribers are caused to wait in line for several hours before they can obtain service from your force. That the furnishing of a sufficient force of employees and the additional floor space necessary to handle these crowds would create a considerable additional expense to the telephone company, which must eventually be paid by the subscribers.

That the proposed billing of your accounts in the city of Minneapolis according to exchanges, to-wit:

Your manual exchanges, Main, Nicollet and Drexel and your automatic exchanges, Center and Snelling, to be billed with discount date expiring the tenth of the month;

Your manual exchanges, Kenwood, Walnut, Colfax and South, and automatic exchanges, Harriet, Grove and Calhoun, with the discount date expiring the fifteenth of the month;

And the manual exchanges, Hyland, East and Orchard, and automatic exchanges, North and Spruce, with the discount date expiring the twentieth of the month;

Would appear to be a reasonable solution of your difficulties.

It is the opinion of the Commission that the billing of your different exchanges at different discount dates, is a question of a regulation and not a question of rate; the only question to be determined by this Commission is, as to whether or not it is a reasonable regulation.

The Commission believes that it may be a great accommodation to the public as well as to the telephone company to adopt the proposal, and you are hereby authorized to adopt the proposal commencing November 1, 1918, for a period of three months, including November, December and January, in order to fully try out the proposal. At the end of this trial period the Commission can easily determine whether or not the proposed change is giving the relief sought and is not too great a burden upon your subscribers.

October 23, 1918.

MISSOURI.

Public Service Commission.

In re **SUSPENSION OF RATES OF KEARNEY TELEPHONE COMPANY.**

Case No. 1500.

Decided September 9, 1918.

Increase in Business, Residence and Rural Rates Effective for One Year, Authorized — Service Ordered Improved.

REPORT.

On February 28, 1918, the Kearney Telephone Company submitted a new schedule for an increase in the rates for telephone service, having previously published the new proposed rates. Protest signed by 66 subscribers, and a complaint and request for an investigation of the service furnished, signed by 21 patrons of the company, were filed with the Commission.

By order of the Commission, dated March 18, 1918, the operation of the proposed rates, charges and regulations was suspended and the case was set down for a hearing. The case was heard at Kearney on April 18, 1918, by one of the Commissioners.

THE FACTS.

The Kearney Telephone Company, hereinafter referred to as the company, owns and operates a telephone exchange in the town of Kearney, having a population, according to the 1910 census, of about 600, and also owns, operates and maintains the rural lines and telephones in the surrounding country. It has about 460 telephones in service, representing 160 metallic lines in the town and 300 grounded lines in the surrounding territory.

The company gives twenty-four hour service, but the night operators, two in number, are supposed to answer

C. L. 85]

only emergency calls, being allowed to sleep near the switch-board.

Free long distance service is given to Smithville, Gashland, Liberty, Missouri City, Excelsior Springs and Holt. The company expects, however, to discontinue free service to Liberty and Holt, placing this service on a toll basis.

RATES PER MONTH.

	<i>Present</i>	<i>Proposed</i>
Business, special line	\$1 50	\$2 25
Business, two-party line	1 50	2 00
Residence, direct line	1 00	1 50
Residence, two-party line	1 00	1 25
Rural — class B	1 00	1 25

Extension bells and desk telephones 25 cents per month, each.

INVESTMENTS.

The company is incorporated with a capital stock of \$10,000 and has been operating since 1897 or 1898. Additional capital to the extent of \$3,000 or \$4,000 has been provided by the stockholders, and during the first seven or eight years earnings were applied to plant expenditures. Dividends of 6 per cent. on a capital of \$10,000 have been paid for the last four or five years. There is no bonded indebtedness. The company submitted an appraisal of the plant, including tools and material on hand, amounting to \$24,243.98, and claims that, after making a deduction for depreciation, the fair value of the plant should be placed at \$20,000, representing an approximate investment of \$65.00 per city telephone station, and \$32.00 per rural telephone station.

INCOME.

The total operating revenue for the year 1917 was \$5,900.62, and the operating expenses, including taxes, but exclusive of interest charges or depreciation, were \$4,740.36, leaving a balance of \$1,160.26 for depreciation and dividends.

Witness Eby, the president of the company, testified that an additional amount of \$582.81 should be charged up as

expenses of operation, leaving a balance of \$577.45 available for depreciation and dividends, in place of \$1,160.26. This amount of \$582.81 included an item of \$400 for the purchase of an automobile, and manifestly this item should be charged to capital account and not to operating expenses. The evidence disclosed that the automobile belonging to the company was used by the president for private purposes not connected with the work of the company about 20 per cent. of the time, and that the gasoline bills and repair bills charged to the company were excessive.

SERVICE.

Fourteen witnesses, all users of the grounded farm lines, testified that the service was unsatisfactory, and many more were present to offer testimony along the same line. It appeared from the evidence that some of the pole lines are in bad condition, insulators missing, wires down, and that the service on the rural lines is very unsatisfactory. Three witnesses appeared in rebuttal and testified that the service was good, or fairly good.

RETURN FROM PROPOSED RATES.

The increase in revenue from the proposed rates is estimated at \$877 per year. Adding this amount to the balance available for depreciation and dividends, according to the statement of the company for 1917, to-wit: \$1,160.26, we would have a total estimated amount of \$2,037 available for depreciation and dividends under the proposed rates.

CONCLUSIONS.

After considering all of the evidence in this case, the Commission finds as follows:

1. That the applicant shall be required, in the future, to abstain from charging the expenses of operating the automobile when in the private service of the president as part of its operating expenses.
2. That before any increase in rates is allowed, the applicant shall be required to improve the condition of its

C. L. 85]

plant, including the repairing of its pole lines and wires, the installation of insulators where missing, and such further repairs as may be necessary, and shall further be required to give more prompt attention to complaints of unsatisfactory service to the end that the parties may secure such service as may reasonably be expected from an exchange of this class and size.

3. That whenever the improvements in the plant have been completed and the service has been improved, the applicant shall so report to the Commission, and as soon as the Commission, after such investigation as may be deemed necessary, is satisfied that the applicant has made the necessary repairs, and is rendering proper service, the applicant shall be allowed to establish the following rates of charge:

	<i>Per Month</i>
Business, special line	\$2 00
Business, two-party line	1 75
Residence, direct line	1 50
Residence, two-party line	1 25
Rural — class B	1 25
Extension bells and desk telephones 25 cents per month, each.	

These rates will yield an estimated annual increase of \$807 in the operating revenue.

4. That the Commission shall retain jurisdiction in this case until the conditions above outlined have been fulfilled, and thereupon enter its order permitting the increased rates to go into effect under such conditions as, at that time, may seem warranted. All concur.

ORDER.

The Commission, having by its order of record in this case, on the eighteenth day of March, 1918, upon its own initiative suspended the operation of the proposed new schedule of rates for telephone service filed by the Kearney Telephone Company entitled its P. S. C. Mo. No. 2, cancelling P. S. C. Mo. No. 1, and full investigation of the matters

and things involved having been had, and the Commission, having on the date hereof made and filed its report containing its findings of fact and conclusions thereon, which said report is hereby referred to, and made a part hereof;

Now, upon the evidence in this case, and after due deliberation,

It is ordered, 1. That the Commission, disapproving at this time of the rates for telephone service as contained in P. S. C. Mo. No. 2, hereby orders that the said schedule of rates be cancelled and withdrawn from the files of the Commission on or before the tenth day of July, 1918.

Ordered, 2. That the applicant shall be required to improve the condition of its plant, including the repairing of its pole lines and wires, the installation of insulators where missing, and such further repairs as may be necessary, and shall further be required to give more prompt attention to complaints of unsatisfactory service, to the end that the parties may secure such service as may reasonably be expected from an exchange of this class and size.

Ordered, 3. That whenever the improvements in the plant have been completed and the service has been improved, the applicant shall so report to the Commission, and as soon as the Commission, after such investigation as may be deemed necessary, is satisfied that the applicant has made the necessary repairs, and is rendering proper service, the applicant shall be allowed to establish the following rates of charges:

	<i>Per Month</i>
Business, special line	\$2 00
Business, two-party line	1 75
Residence, direct line	1 50
Residence, two-party line	1 25
Rural — class B	1 25
Extension bells and desk telephones 25 cents per month, each.	

Ordered, 4. That the Commission shall retain jurisdiction in this case until the conditions above outlined have been fulfilled, and thereupon enter its order permitting

C. L. 85]

the increased rates to go into effect under such conditions as, at that time, may seem warranted.

Ordered, 5. That this order shall take effect on the first day of July, 1918, and that the secretary of the Commission forthwith serve on the Kearney Telephone Company, and the city of Kearney, certified copies of this order and the report herein.

Ordered, 6. That the applicant, the Kearney Telephone Company, be, and it is hereby, required to notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, within five days after receipt of the certified copy of this order and report herein, whether the terms of this order are accepted and will be obeyed.

June 19, 1918.

SUPPLEMENTAL ORDER No. 1.

The Commission, having by its order of record in this case on the nineteenth day of June, 1918, required the applicant company to improve the condition of its plant to the extent of repairing its pole lines and other equipment, directing attention to the improvement of the service rendered, and naming certain rates to be charged for telephone service after it was shown that the provisions of the order* had been complied with, and at a hearing held in Kansas City on August 20, 1918, it having been shown that the required improvements in the physical plant had been made and that the service had been improved, the applicant company having therefore complied with the order* of the Commission,

It is ordered, 1. That the Kearney Telephone Company shall be permitted to file with this Commission a schedule of rates to be known as P. S. C. No. 2, effective on and after October 1, 1918, containing the following maximum rates for various classes of telephone service:

* See *supra*, p. 420.

	Per Month
Business, special line	\$2 00
Business, two-party line	1 75
Business, extension	75
Residence, special line	1 50
Residence, two-party line	1 25
Residence, extension	50
Class B rural switching	1 25
Extension bells and desk telephones, each.....	25

Ordered, 2. That any and all increase of rates herein authorized or permitted shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates shall, without further order, cease, and the rates of said company shall then be reduced and restored by said company to the rates now on file or charged by it; *provided*, that the Commission may hereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 3. That the said company be required to keep a full and accurate account of the revenues and expenses of its exchange and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject matter of this cause to continue, change or modify the rates of said company upon the expiration of said period of one year after the effective date of this order, or at any other time.

Ordered, 4. That this order shall be in force and effect on October 1, 1918, and that the secretary of this Commission shall forthwith serve upon the parties hereto, also upon Hon. Albert S. Burleson, Postmaster General of the United States and Director of Telephone and Telegraph Service, a certified copy of this order, and that the company shall notify this Commission on or before October 1,

C. L. 85]

1918, in manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

September 9, 1918.

In re SUSPENSION OF RATES OF BUTLER-RICH HILL TELEPHONE COMPANY, BUTLER, MISSOURI.

Case No. 1498.

Decided October 29, 1918.

Effective Date of Increased Schedule of Rates Further Postponed for Failure to Fully Comply with Commission's Order to Remedy Defects and Insufficiencies of Service—Intra-County Toll Rates, and Elimination of Free Interexchange Messages Causing Poor Service, Authorized to go into Immediate Effect—Toll Rates Proposed being Usual Rates for Intra-County Messages Considered Reasonable—Lack of Notice to City which was Represented at Previous Hearings Disregarded—Exclusion of Certain Exchanges from Application of New Toll Rates Considered Discriminatory.

SUPPLEMENTAL REPORT.

The order* of the Commission entered in this case on July 26, 1918, contained a finding that the rates, rules and regulations provided for in the schedule of the Butler-Rich Hill Telephone Company, being its P. S. C. Mo. No. 2, filed March 12, 1918, were reasonable and just.

Said order also contained a finding that the service by the applicant company at its exchange at Butler was insufficient. (a) in that said company was not furnishing proper or sufficient supervision of its switchboard at Butler, and (b) that the outside plant at Butler was poorly maintained in certain specified particulars.

The order directed the applicant company to remedy such defects and insufficiencies and furnish satisfactory proof thereof to the Commission on or before September 1, 1918, whereupon the suspension of increased rate schedules was to be vacated by supplemental order of the Commission.

* See Commission Leaflet No. 81, p. 930.

On August 27, 1918, the Commission was advised by communication from Mr. F. M. Campbell, owner of the plant of the applicant company, that the improvements in the plant and service had not then been completed, and on August 28, 1918, the Commission advised him by letter that until the work of improvement was completed and an inspection made by the Commission, the proposed new rates would not be permitted to become effective. In subsequent communications to the Commission, the applicant company stated that extensive improvements had been made, and the defects in service remedied. However, the mayor and city attorney of Butler, and the attorney for certain of the rural subscribers, advised the Commission that although such reconstruction work had been done, no improvement had resulted in the service. Under these conditions, the Commission deemed it necessary that a supplemental hearing be held to determine whether or not the specified improvements had been made as ordered. Accordingly, an order was issued by the Commission on October 17, 1918, directing a special examiner for the Commission to hold a hearing at Butler on October 24, 1918, and due notice thereof was given all parties. A hearing was held at the date and place mentioned, and the applicant company appeared and submitted testimony in support of its contention that the service requirements of the Commission had been met. The city and rural subscribers were represented by counsel and offered testimony to the effect that the service was in no wise improved. Testimony, statements and admissions of counsel, affecting other and incidental issues, were offered, and are hereafter referred to.

SERVICE IMPROVEMENTS.

(a). An itemized statement was offered in evidence by the applicant company (company's Exhibit I.), showing the cost of material used in extensive reconstruction work since the original order* of the Commission herein, and labor costs incurred in such reconstruction.

* See Commission Leaflet No. 81, p. 930.

C. L. 85]

The summary of this statement shows a total expenditure for material, poles, labor, delivery, traveling expenses and board of men in the amount of \$4,335.95. Strenuous objection was offered by attorney for the city and rural subscribers to the consideration by the Commission of the whole of this amount as expenditures for improvements, as ordered, on the ground that certain of the items therein were expenditures usually and regularly incurred for maintenance. The testimony of Mr. Campbell indicated that this was true as to minor portions of the items of labor, delivery and traveling expenses. The applicant company thereupon offered in evidence the original invoices of the supply companies furnishing the material. In view of the conclusions hereinafter stated, it has not been necessary to check and analyze each of the items of material as shown by the invoices, to determine whether they cover usual maintenance work or new construction work.

It was conclusively shown that the owner of the system has entered upon an extensive program of reconstruction and replacement work at Butler, the cost of which has exceeded the maximum expenditures stated to be necessary in the original report* of the Commission, \$3,000. However, the character of this construction work does not meet the direction of the Commission. From the testimony it appears that the improvements made principally consist of the installation of approximately 4,700 feet of new 25- and 50-pair lead cable, replacing a number of defective open wire lines. These improvements, though shown to be highly desirable as part of the plan of permanent betterment, affect only a portion of the outside plant.

The order* of the Commission of July 26, 1918, found that the outside plant was poorly maintained in that

"In various places cables are not securely attached to their messenger wires; that many open wires are slack; that cross-arms are out of line; that knobs are placed on the under side of cross-arms instead of on

* See Commission Leaflet No. 81, p. 930.

pins upon sufficient cross-arms; that many poles are out of line; that said open wires in many places are in actual contact with trees and other objects, causing opportunity for grounding of the electrical current,"

and specifically required the correction of these defects.

From the evidence introduced at the recent hearing, we must conclude that the above-mentioned defects in the plant have been remedied only in that portion of the plant which has been replaced with new cable installation.

Mr. Campbell and the employees who were engaged in reconstruction work, admitted that many open wires were still slack; that cross-arms and poles were out of line; that open wire contacts with trees and other objects had not been entirely eliminated. Mr. Campbell stated that in the southeast part of the town no repairs had yet been made.

(b). Mr. Campbell testified that in an effort to comply with the order of the Commission, one of the regular operators had been instructed in the duties of supervisor of switchboard operation, and worked in that capacity; that better and more systematic attention to their duties had been required of the operators. He stated that the derangement of the system by reason of the reconstruction work, the loss of trained operators who found more profitable employment elsewhere, the necessity of using untrained operators to take their places, and the illness of four of the operators, were causes contributing to insufficient and inadequate service which were beyond his control.

It appears that more rigid supervision and systematic training of the switchboard operators will aid much in correcting present inefficient service conditions.

The "proper and sufficient" supervision of the switchboard operation, required by Paragraph 2 of the order* of July 26, 1918, has not yet been accomplished.

A large number of witnesses testified on behalf of the city that the service was in no wise improved since the former hearing. These witnesses, citizens of the highest

* See Commission Leaflet No. 81, p. 930.

C. L. 85]

reputability, described in detail particular incidents in the use of the telephone showing inadequacy, inconvenience, and delay in the service. The most common complaints were inability to attract the attention of the operator when originating a call, and failure to secure disconnection after finishing a call. The testimony of Mr. Campbell and his employees showed that inadequacy of service in this respect was most probably caused by inattention of operators.

Certain of the citizens testified in general terms of "bad service"; the greater number related with minuteness particular experiences and difficulties in the use of the telephone. It was shown that these incidents were so common and usual as to largely curtail the use of the telephone for intercommunication between the offices and business houses located on the public square. It did not appear that the complaints as to the inadequacy of the service were pressed merely for the purpose of staying the proposed rate increase, as a number of the witnesses stated that they would cheerfully pay higher rates if the service was materially improved.

TOLL RATES.

The Commission has heretofore determined that the practice of the applicant company in rendering service to practically all telephone users in Bates County without charge except to its own patrons, was largely responsible for the impaired service now furnished at Butler. Paragraph 5 of the order* of July 26, 1918, directed the applicant company to file rates for toll messages between its Butler exchange and other telephone exchanges in Bates County not now owned or operated by it. On August 16, 1918, the applicant company, the Austin-Inland Telephone Company, and the Foster Telephone Company jointly filed a schedule of toll rates for service between points in Bates County. This schedule names 10- and 15-cent charges for

* See Commission Leaflet No. 81, p. 930.

three-minute messages, the 15-cent rate applying to the messages between points separated by greatest distance.

The evidence introduced at the supplemental hearing and service conditions shown to obtain at present, strengthen our conviction that the real cause of the trouble in the telephone service at Butler is the rendering of an unusual amount of free service. Toll rates will reduce unnecessary calls, and a 10- or 15-cent charge cannot materially curtail or hamper business calls or calls of any kind important enough to warrant the use of through lines between exchanges.

The toll rates proposed are reasonable for the service rendered. They are the usual rates for intra-county messages between exchanges separately owned. The attorney for the rural subscribers dictated into the record the following statement:

"The subscribers to the Rural Telephone Association of Bates County, so far as the toll schedule proposed by Mr. Campbell, will be satisfied providing they are given, in addition to what is offered in the schedule, service to Adrain and Virginia and will interpose no further objection to the toll rates, reserving the right to ask for adequate service throughout the system for the \$4.00 per annum, per 'phone, that they pay to Mr. Campbell."

This attitude is commendably fair. However, if exception were made as to the Virginia and Adrain exchanges in the application of the local toll rates, charges of discrimination would probably follow. If free service is rendered to Virginia and Adrain no adequate reason can be advanced why it should not be extended without discrimination to the other points. If the rural subscribers are permitted this exception to the application of toll charges, a similar privilege should be granted the city subscribers. This might partially defeat the accomplishment of the desired purpose, the elimination of an excessive number of free calls.

The schedule of toll charges for message service between the points named should be permitted to become effective as filed. The objection of the city of Butler that such

L. 85]

rates should not become effective because the city has not had adequate notice, is without merit. A 15-cent local toll rate was included in the toll schedule filed by the applicant company on March 12, 1918. The question has arisen at each of the hearings, and the city was represented in each.

IN CONCLUSION.

The proposed rates and charges of the applicant company, applying to service rendered at Butler, should remain suspended until the specified improvements required in the order* of July 26, 1918, are made, and until the service is adequate and sufficient.

The schedule providing local toll rates should be permitted to become immediately effective, in order that the elimination of free service may aid in the establishment of adequate service at Butler.

Further investigation of service conditions at Butler by the Commission should be deferred until December 1, 1918.

An order carrying into effect these conclusions will be issued.

SUPPLEMENTAL ORDER No. 3.

On October 24, 1918, a supplemental hearing was held before a special examiner for the Commission to determine whether the Butler-Rich Hill Telephone Company had fully complied with the provisions of the order* of the Commission of July 26, 1918, and had remedied the defects and insufficiencies specified in Paragraph 2 of said order,* and the case was submitted on evidence adduced and oral arguments of counsel.

After consideration of such evidence and arguments and the Commission having this day made and filed its supplemental report containing its findings and conclusions thereon, which report is hereafter referred to and made a part hereof, and after due deliberation,

It is ordered, 1. That the Commission finds that the Butler-Rich Hill Telephone Company has not remedied the defects and insufficiencies in the service now and here-

* See Commission Leaflet No. 81, p. 930.

tofore rendered at its exchange in Butler, Missouri, in the particular manner and to the extent required in Paragraphs 2 and 3 of the order,* entered herein on July 26, 1918.

Ordered, 2. That the rates, rules and regulations provided for in the schedule of said Butler-Rich Hill Telephone Company, being its P. S. C. No. 2, filed March 12, 1918, with requested date for April 1, 1918, cancelling Original P. S. C. Mo. No. 1 and Supplement No. 1 thereto, shall remain suspended and inoperative until full performance of the conditions imposed in Paragraphs 2 and 3 of the aforesaid order*.

Ordered, 3. That the toll rates and charges between points in Bates County, contained in the schedule filed by the Butler-Rich Hill Telephone Company with the Commission on August 16, 1918, providing 10- and 15-cent rates for three-minute messages, and 5 cents for each additional two minutes or fraction thereof, are reasonable and just, and that said rates be permitted to be charged as maximum rates on and after October 1, 1918,† *provided*, however, that said toll rates and charges shall not apply to the interchange of messages by subscribers of the Butler-Rich Hill Telephone Company over any part of the lines in Bates County owned or operated by said telephone company.

And, *provided further*, that the said toll rates and charges shall not apply for service over the lines of the Austin-Inland Telephone Company and the Foster Telephone Company except between the points on the lines of said companies and the points on the lines of the Butler-Rich Hill Telephone Company. Additional schedules for toll message service in Bates County not covered by the schedule herein approved, may be filed for the further consideration and approval of the Commission.

* See Commission Leaflet No. 81, p. 930.

† By Supplemental Order No. 4, dated October 30, 1918, this was corrected to read "November 1, 1918."

S. L. 85]

Ordered, 4. That further investigation of the correction of service defects and insufficiencies, specified in the order* of July 26, 1918, will be conducted by the Commission on or after December 1, 1918, in such manner as may by it be deemed proper.

Ordered, 5. That this order shall be in full force and effect on and after November 1, 1918.

Ordered, 6. That the secretary of the Commission shall forthwith serve a certified copy of the supplemental report and order in this case upon said Butler-Rich Hill Telephone Company, and upon F. J. Smith, city attorney, Butler, Missouri, and upon H. O. Maxey, attorney for the Rural Telephone Company, [and] on or before the effective date of this order, [they] shall notify the Commission, in the manner provided for by Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

October 29, 1918.

In re SUSPENSION OF RATES OF BUFFUM TELEPHONE COMPANY FOR ITS EXCHANGE AT BOWLING GREEN.

Case No. 1592.

Decided November 9, 1918.

**Increase in Rates Effective for One Year, War Conditions Considered,
Authorized — 6 Per Cent. Fixed as Reserve for Depreciation
— 7 Per Cent. Fixed as Rate of Return — 9.4 Per Cent.
for Reserve for Depreciation Disallowed.**

Applicant filed a schedule of increased rates for exchange and rural line service to be effective at its exchange at Bowling Green. Whatever increase in revenue would be derived by the new schedule would be received almost entirely from the 50 per cent. increase of the individual business rate, as the proposed increase upon intercommunicating and private branch exchange trunks would only be applicable to one user of each. No inventory was made by the Commission's engineer, but a comparison of the cost units used in the company's appraisal

* See Commission Leaflet No. 81, p. 930.

with that made by the Commission's engineer on plants of similar character where pre-war prices were used showed on the outside construction that the cost units were from 20 per cent. to 25 per cent. higher. The company in making its inventory used present day prices for materials used, and pre-war prices for labor costs, stating the cost of the plant to be \$39,422, or \$110 per station. The revenue for 1917 was \$9,198.97. The expenses for the same year were \$5,424.42. The proposed rates will give an increase of \$639, giving the company \$4,413.55 as a reserve for depreciation and return on the investment.

Held: That the increase in rates, effective for one year, should be allowed, as applicant did not make any allowance for increased prices of material and labor for 1918, and it was common knowledge that an increase in prices had taken place since December, 1917. As the applicant should be permitted to earn 6 per cent. for reserve for depreciation, and not less than 7 per cent. as a rate of return on the investment, the net return of \$4,413.55, which was not inclusive of extra operating costs for 1918, would only suffice for a legal rate upon an investment below that claimed by the applicant;

That \$39,422 as the value of the plant was considered an abnormal amount for an exchange of this character, particularly when no real estate was owned. The Commission would only attempt to reach a reasonable tentative value upon which applicant was entitled to a reserve for depreciation and a reasonable return, as it was inexpedient to await final action by its engineering and accounting departments before granting some measure of temporary relief, since these strenuous times in the world's history have been reflected in the operating expenses of public utilities by abnormal increases, and these without fault on the part of the utilities;

That 9.4 per cent., as asked for a reserve for depreciation by applicant, was higher than had been allowed by the Commission in cases of this character, and it should be peremptorily denied as being *pér se* exorbitant;

That \$348 for working capital was considered low, but was accounted for by the fact that service was paid for in advance.

REPORT.

On April 26, 1918, the Buffum Telephone Company filed its First Revised Sheet No. 1 to P. S. C. Mo. No. 1, effective June 1, 1918, cancelling the Original Sheet No. 1, to P. S. C. Mo. No. 1, containing rates and terms of service for exchange and rural line service as furnished by the exchange belonging to that company located in Bowling

C. L. 85]

Green, Missouri, the same containing increases in rates as follows:

<i>Business:</i>	<i>Per Month</i>
Individual line	\$2 00 to \$2 50
Desk telephone, additional	25
Intercommunicating trunks	4 00 to 5 00
Private branch exchange trunks.....	3 00 to 3 75

	<i>Per Month</i>
Two new rates added as follows:	
Multi-party business rate	\$1 50
Multi-party residence rate.....	1 50

They also filed several exhibits showing revenues, expenses, valuation of the plant, method of arriving at the present value, amount of proposed increase in revenue, rate of return and copies of notice of proposed increase in rates as published in the local newspapers, as well as explanatory pamphlets setting forth the increases asked for and the reason for such petition. Whatever increase in revenue that may be derived by the proposed new schedule of applicant is applicable almost in its entirety to the 50 per cent. increase upon the individual business patrons. While the proposed schedule shows increase upon intercommunicating and private branch exchange trunks, yet, the consumers' data as furnished by applicant shows only one user of each of these classes of service, and, therefore, the additional available revenue from these classes of patrons is of a negligible consequence.

No protest was received by the Commission from the subscribers or public with reference to the increase. On May 28, 1918, the Commission on its own initiative suspended the date of the proposed increase for one hundred and twenty days from June 1, 1918, to and including September 28, 1918, and ordered a public hearing to be held for the purpose of investigating as to the reasonableness of the increase asked, and on September 26, 1918, a second suspension in the date of the proposed increase was ordered

for a period of six months from September 28, 1918, to and including March 28, 1919.

A public hearing was accordingly held in Louisiana, Missouri, on October 8, 1918, before a member of the Commission. No person or persons appeared to protest against the granting of the increase or as to the quality of the service furnished. The petitioner introduced evidence and exhibits to prove the justice of the increase as asked.

Bowling Green has a population of 1,585, according to the United States census of 1910. No inventory has been made by the engineer for the Commission, but a comparison of the cost units used in this appraisal with that made by the Commission's engineer on plants of similar character where pre-war prices were used shows that on the outside construction, such as poles, cross-arms, cable, aerial wire, etc., the cost units are from 20 to 25 per cent. higher than was allowed. There are about 350 telephones within the city limits, showing a development of about 21 per cent., which is considerably above the average for towns of this size.

The evidence shows that in 1908 the out-of-door plant was practically destroyed by a severe sleet storm, and when rebuilt considerable aerial cable was used for a town of that size. The central office equipment consists of a Western Electric magneto No. 105 switchboard of 4-150 line positions with frames, racks and protective apparatus usually found in an exchange of this size. In making the inventory, present day prices were used by the witnesses for the materials used, but pre-war prices were used for labor costs. The price as fixed, \$39,422, is high, being \$110 per station, an abnormal amount for an exchange of this character, particularly when no real estate is owned. The rate asked for reserve for depreciation, 9.4 per cent., is higher than has been allowed by this Commission in cases of this character, and it being viewed by the Commission as being *per se* exorbitant, it will, therefore, be peremptorily denied. The amount \$348 for working capital is low, but

C. L. 85]

is accounted for by the fact that the service is paid for in advance.

According to the record the total receipts for 1917 from the 700 patrons is \$9,198.97. The increase as asked for would be, per annum, \$639, the total revenue at proposed rates being \$9,837.97. The expenses for the year 1917 were \$5,424.42, leaving a return for the year for reserve for depreciation and return on the investment of \$4,413.55.

It should be made plain that the above conclusions incident to operating expenses do not make any allowance for increased prices of material and labor covering the ten months of the year 1918. It is common knowledge with the Commission that an ascendency of prices has taken place since December 31, 1917.

We wish to be plainly understood in this case that the Commission is not finding a fixed value upon applicant's property, used and useful at Bowling Green, and upon which it would be entitled to a rate for depreciation and likewise a reasonable return upon its investment. The evidence in this case is wholly *ex parte* and until such time as the Commission can have full investigation of the property of applicant made by the Commission's own engineers and accountants, it will only attempt to reach a reasonable tentative value thereof. During these strenuous times in the world's history, which has been reflected in the operating expenses of our public utilities by abnormal increases, and these without fault on the part of said utilities, the Commission has found it inexpedient to await final action by our engineering and accounting departments before granting some measure of temporary or emergency relief that same may in a measure recoup the utility from losses occasioned from the aforesaid abnormal increases. However, the Commission has in all such character of cases reserved unto itself full, continuing jurisdiction of the whole subject-matter that it may eventually readjust the entire case. The applicant submits proof of a depreciated reproduction new cost of its property of \$39,422. The Commission thinks, as heretofore indicated, that such a value is

excessive. However, if the applicant should be permitted to earn a 6 per cent. depreciation return, and not less than 7 per cent. investment return, it can readily be seen that the net return of \$4,413.55, which is not inclusive of extra operating costs for 1918, will only suffice for a legal return upon an investment far below that claimed by applicant.

The uncertainty of prices charged for labor and material at present may materially reduce the \$4,413.55 allowed as return. As a matter of fact, increases are being made, and no doubt will be made in the future, until we win the war and for a period thereafter.

On this account, a rate as fixed should be subject to revision when conditions are normal. The rate asked for is found not unreasonable and is allowed for a period of one year, effective December 1, 1918.

An order will be entered in conformity with the views herein expressed.

ORDER.

This case being at issue upon the order of the Commission suspending the effective date of First Revised Sheet No. 1 to P. S. C. Mo. No. 1 of the Buffum Telephone Company of Bowling Green, Missouri, replacing and cancelling its Original Sheet No. 1 to P. S. C. Mo. No. 1, the same being a schedule of proposed rates to be charged by said company for telephone service at its exchange at Bowling Green, Missouri, and full hearing of the matters at issue having been had at the city of Louisiana after notice to all interested parties, and an investigation of the reasonableness and lawfulness of said proposed rates having been made by the Commission; and the Commission having fully considered all the evidence and being fully advised in the premises, and the Commission on the date hereof having made and filed its report of its findings and conclusions hereon, which said report is hereby referred to and made a part hereof, now after due deliberation,

It is ordered, 1. That the Commission finds that the rates and charges of the Buffum Telephone Company at Bowling Green proposed to be charged by it for telephone

C. L. 85]

service at Bowling Green are reasonable and just, and that the order of the Commission heretofore suspending the effective date of said company's schedule, known as its First Revised Sheet No. 1 to P. S. C. Mo. No. 1, replacing and cancelling its Original P. S. C. Mo. No. 1 be, and the same is hereby, vacated, and that said company be, and it is hereby, authorized to charge and collect the rates therein specified on and after the effective date of this order.

Ordered, 2. That any and all increases in rates herein authorized shall remain in force and effect for a period of one year only from and after the effective date of this order, at the end of which period such increase in rates shall cease, and the rates and charges of said Buffum Telephone Company for telephone service at Bowling Green shall be reduced and restored to the rates and charges now on file and at the present time charged by it, *provided*, however, that the Commission may hereafter, by further order, continue such increase in rates and charges for another and further period, or change said rates and charges upon proper showing of the then existing necessity therefor by the company or by any interested party.

Ordered, 3. That said Buffum Telephone Company of Bowling Green be required to keep a full and accurate account of the revenues and expenses of its exchange at Bowling Green, and to file a full and complete report thereof with this Commission at the expiration of said period of one year, which report shall be in addition to any other report now required by law.

Ordered, 4. That this order shall be in full force and effect on and after December 1, 1918.

Ordered, 5. That the secretary of the Commission shall forthwith serve upon the Buffum Telephone Company of Bowling Green, Missouri, and upon Hon. A. S. Burleson, Postmaster General, a certified copy of this report and order, and that said Buffum Telephone Company on or before the effective date hereof shall notify the Commis-

sion in the manner provided by Section 25 of the Public Service Commission Law whether the terms of this order are accepted and will be obeyed.

November 9, 1918.

In re SUSPENSION OF RATES OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR ITS EXCHANGE AT AURORA.

Case No. 1651.

Decided November 26, 1918.

**Error in Estimating Company's Income in Previous Decision Corrected
— Rates Proposed by Company and Disregarded by Commission
in Previous Decision Authorized — Permission
for Rehearing Denied.**

SUPPLEMENTAL REPORT.

On the first day of October, 1918, the Commission filed its report and entered its order* herein, in which were stated its findings, conclusions and orders, with reference to the reasonableness of the proposed schedule of rates for telephone service, filed by the Southwestern Bell Telephone Company for its Aurora exchange.

On October 29, 1918, the telephone company filed its motion for rehearing. Among other allegations, the motion contains the following:

"There is a mathematical error in said opinion, which is apparent on the face of the said opinion, and which causes the Commission to find the net earnings to be \$1,000 more than they are as a matter of fact."

Upon re-consideration of the facts in evidence and of the report of the Commission, it appears that the above allegation of error is well grounded.

The company has contended herein that it should be permitted to earn an annual depreciation allowance of \$4,067.70. This allowance was found excessive by the Commission, and, in its computations, reduced to \$1,944.08, or

* See Commission Leaflet No. 84, p. 177.

C. L. 85]

a total reduction of \$2,123.62. In determining the company's "balance net income" as shown by the actual revenue and expense figures for the year 1917, the Commission has erroneously concluded that the reduction of the annual depreciation allowance in the amount of \$2,123.62, would change the claimed loss of \$1,619.90 to an actual income of \$1,503.72. It is obvious, as contended in the motion for rehearing, that such a reduction of the reserve account cannot change a loss of \$1,619.90 into an actual income of \$1,503.72, because the amount of the loss, \$1,619.90, plus the stated actual income, \$1,503.72, makes a total of \$3,123.62. The actual income used in calculation should be \$503.72, instead of \$1,503.72.

The same error appears in the Commission's finding that the total net income, if the rates proposed were allowed to become effective, would be \$3,856.72. The additional revenue from the proposed rates was estimated at \$2,353, and this sum added to the corrected actual income of \$503.72, makes the total net income under the proposed rates, \$2,856.72, instead of \$3,856.72.

The Commission has determined that the company should be permitted to increase its rates to an extent necessary to produce approximately a 7.4 per cent. return on the public service investment of \$40,377, which sum has been tentatively assumed as the fair present value of the property. This rate, 7.4 per cent. applied to \$40,377, requires the earning of a sum slightly in excess of \$2,856.72, which is the actual net income the proposed rates will produce, after the error, above-mentioned, has been corrected.

It follows that the proposed schedule of rates, designated as Second Revised Sheet No. 1 to P. S. C. Mo. No. 4, filed by the company for its Aurora exchange, should be permitted to become effective. An order will accordingly issue setting aside so much of the order* entered herein on October 1, 1918, as conflicts with these conclusions, and permitting the proposed rates to become effective on and

* See Commission Leaflet No. 84, p. 177.

after December 1. Other allegations contained in the motion for rehearing are considered to be without merit, and the motion will be overruled.

SUPPLEMENTAL ORDER No. 1.

The Southwestern Bell Telephone Company, having filed on the twenty-ninth day of October, 1918, its motion for rehearing of this case, and full investigation of the matters and things therein involved having been had, and the Commission having on the date hereof made and filed its supplemental report, containing its findings and conclusions thereon, which said report is hereby referred to and made a part hereof,

It is ordered, 1. That the order* of the Commission in this case entered on the first day of October, 1918, be, and the same is hereby, set aside, canceled and for naught held.

Ordered, 2. That the rates and charges of the Southwestern Bell Telephone Company now effective for telephone service at Aurora, Missouri, are unreasonably low and unremunerative.

Ordered, 3. That the Southwestern Bell Telephone Company shall be permitted to refile with this Commission its schedule of rates, known as Second Revised Sheet No. 1 to P. S. C. Mo. No. 4, effective on and after December 1, 1918, canceling First Revised Sheet No. 1, to P. S. C. Mo. No. 4, containing the following maximum rates for various classes of telephone service:

	<i>Per Month</i>
Business, individual line	\$3 00
Residence, individual line	2 00
Residence, two-party line	1 75
Service line subscribers	50

Ordered, 4. That any and all increase of rates herein authorized or permitted shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of

* See Commission Leaflet No. 84, p. 177.

C. L. 85]

rates shall, without further order, cease, and the rates of said company shall then be reduced and restored by said company to the rates now on file or charged by it; *provided*, that the Commission may hereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 5. That the said company be required to keep a full and accurate account of the revenues and expenses of its exchange and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject matter of this cause to continue, change or modify the rates of said company upon the expiration of said period of one year after the effective date of this order, or at any other time.

Ordered, 6. That the motion for rehearing, filed by the Southwestern Bell Telephone Company herein, be, and the same is hereby, overruled.

Ordered, 7. That this order shall be in force and effect on December 1, 1918, and that the secretary of this Commission shall forthwith serve upon the parties hereto, also upon Hon. Albert S. Burleson, Postmaster General of the United States and Director of Telephone and Telegraph Service, a certified copy of this order, and that the company shall notify this Commission on or before December 1, 1918, in manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

November 26, 1918.

NEW YORK.

Public Service Commission — Second District.

**BECK MANUFACTURING COMPANY v. NEW YORK TELEPHONE
COMPANY.**

Case No. 6580.

Decided November 21, 1918.

**Practice of Demanding Payment in Advance and Discontinuance of
Service for Non-Payment Considered Reasonable — Refunding
of Charges Because of Interruption of Service, Considered.**

ORDER.

This complaint was filed with this Commission on August 31 last; it protests against payment in advance for telephone service, and the cutting off of service toward the end of the month when the bill is not paid; alleges that complainant has been charged for more calls than used and protests against loss of service without discount in bill when the company's service was interrupted through trouble with its cable; the company answered alleging its practice in calling for payment in advance is reasonable, admitting it discontinued complainant's service for such non-payment, denying that the failure of complainant to use the full number of calls under its contract entitles it to discount, and denying that complainant's service was interrupted because of trouble with cables. On these issues a hearing in Buffalo was held by Chairman Hill of this Commission on October 26, 1918, at which those named above appeared. After discussion and hearing the evidence of Mr. Beck, representing complainant, it seemed that the complaint was without merit except possibly as to the interruption of service for a period of from three days to a week through the cutting of the cable, and the attorney of the telephone company announced its readiness to refund

C. L. 85]

a portion of the charge, if the Commission after further evidence considered that this allegation was proved; complainant was unable at this hearing to identify the time in question, and an adjournment of one week was granted him for this purpose; at the adjourned day complainant failed to appear and has not since offered to supply this proof.

After consideration of this record the Commission is of the opinion that the complaint is without merit and,

It is, therefore, ordered; That this complaint is hereby dismissed.

November 21, 1918.

F. M. BRADLEY AND WEST SOMERSET COLD STORAGE COMPANY, INCORPORATED v. NEW YORK TELEPHONE COMPANY.

Case No. 4147.

Decided November 26, 1918.

Increase in Business and Residence Four-Party Line Rates to Accord With Rates Elsewhere under Similar Conditions, Authorized.

ORDER.

This Commission having heretofore and on the fifteenth day of July, 1915, made its order* wherein and whereby among other things the New York Telephone Company was directed on or before the fifteenth day of August, 1915, to establish its four-party line telephone service at its exchange in the village of Barker, Niagara County, New York, at and for the base rate charge of \$21.00 for a telephone at a business place and \$15.00 for a residence telephone, and said New York Telephone Company having applied to this Commission for a modification of said order* so as to permit it to charge \$24.00 for a four-party line telephone and \$18.00 for a residence telephone, and said application having come on to be heard before Commis-

* See Commission Leaflet No. 45, p. 975.

sioner Barhite at the office of the Commission in the city of Buffalo, New York, on the fifteenth day of November, 1918, and due proof of due notice of said hearing upon R. V. Marye, Esquire, general attorney of the New York Telephone Company; upon Mrs. Grace Bereau, Barker, Niagara County, New York; C. W. Little, Esquire, Buffalo, New York; C. L. Fox, Esquire, Barker, Niagara County, New York; Harry Chandler, Esquire, Newfane, Niagara County, New York; C. F. Rees, Esquire, Lockport, New York; F. H. Ferguson, Esquire, Appleton, Niagara County, New York; Charles Carbott, Esquire, Barker, Niagara County, New York; F. M. Bradley, Esquire, Barker, Niagara County, New York; Dr. William G. Sprague, Barker, Niagara County, New York; Jay L. Dickinson, Barker, Niagara County, New York; Fred A. Fraser, Esquire, Barker, Niagara County, New York; and the village president, Barker, Niagara County, New York, having been made and filed, and

The New York Telephone Company having appeared by *Franklin Briggs, Esquire*, its attorney, no one appearing to oppose, and it appearing to the Commission from the evidence that the rates charged by the New York Telephone Company for four-party line service at the village of Barker, New York, are not in harmony with the rates charged for similar service under similar conditions in other places in the State of New York, but that the new proposed rates will bring such service into harmony with the rates charged for similar service in other parts of the State of New York, and that under the present rates the exchange at Barker, New York, is not self-supporting,

Ordered, That the order* made by this Commission on the fifteenth day of July, 1915, in the above-entitled proceeding be, and the same is hereby, amended so as to permit the New York Telephone Company to charge at the rate of \$24.00 per year for four-party line service at business places, at its Barker, New York, exchange, and at the

* See Commission Leaflet No. 45, p. 975.

C. L. 85]

rate of \$18.00 per year for four-party line [residence] service at the same exchange, and said company is hereby directed and permitted to change its tariff accordingly, said tariff to become effective upon five days' notice to this Commission and to the public and to contain the following notation:

"Established on five days' notice to the public and the Commission under order of the Public Service Commission, Second District, State of New York, dated November 26, 1918, in Case No. 4147."

November 26. 1918.

OHIO.

The Public Utilities Commission.

In re JOINT PETITION OF THE PATASKALA AND HEBRON TELEPHONE COMPANY AND THE PATASKALA FARMERS TELEPHONE COMPANY FOR CONSENT AND APPROVAL TO SELL AND PURCHASE CERTAIN PROPERTY.

No. 1219.

Decided October 24, 1918.

Approval of Sale of Property to a Competitor for more than Value of Property Used and Useful in the Service of the Public, Denied.

ORDER.

This matter coming on this day for consideration upon the refusal, by The Pataskala Farmers Telephone Company, to accept the approval of such sale of property* upon the basis of the payment by the purchaser for such specific items as may hereafter be devoted to the use and service of the public, as heretofore proposed by the Commission,

It is ordered, That this petition be, and hereby it is, denied.†

Dated at Columbus, Ohio, this twenty-fourth day of October, 1918.

* At Pataskala, as appears from the petition.—Ed.

† On the same day the Commission denied the *Application of The Pataskala and Hebron Telephone Company for Authority to Issue Stock*, No. 1312, in payment for the above property, upon the ground that approval of the sale had been denied in this order.

C. L. 85]

In re L. W. DEWEY, AS AN INDIVIDUAL, AND AS CHAIRMAN OF COMMITTEE REPRESENTING THE CLINTON TELEPHONE SUBSCRIBERS AT THE EXCHANGES OF BLANCHESTER, MARTINSVILLE, NEW VIENNA, SABINA AND CLARKSVILLE *v.* THE CLINTON TELEPHONE COMPANY.

No. 1182.

Decided October 28, 1918.

Complaint against Establishment of Toll Rates in Lieu of Free Inter-exchange Service Dismissed — Contracts with Municipalities Disregarded.

Complainant as an individual, and as chairman of a committee representing The Clinton Telephone Company subscribers at the exchanges of Blancheater, Martinsville, New Vienna, Sabina and Clarksville, contended that the establishment of a toll rate for messages between the said exchanges was unjust, alleging that present rates were amply sufficient to meet the company's expenses and pay a fair dividend, and that respondent contracted with each municipality in writing, guaranteeing to the municipalities free service between the exchanges and a maximum rent for telephone boxes, which maximum is now being paid by the subscribers, and alleging also that to limit free talking to the radius of one exchange, and at the same time charge the same rent, would be discriminatory.*

ORDER.

It appearing to the Commission that this proceeding should be, hereby it is dismissed.

Dated at Columbus, Ohio, this twenty-eighth day of October, 1918.

* The above statement of the facts and contentions was taken from the pleadings.— Ed.

In re PETITION OF THE SIDNEY TELEPHONE COMPANY FOR
LEAVE TO ISSUE CERTAIN COMMON CAPITAL STOCK.

No. 1534.

Decided October 28, 1918.

**Issue of Stock to Stockholders by Domestic Corporation on Account
of Money Expended for Improvements Instead of
for Payment of Dividends, Authorized.**

OPINION AND ORDER.

The Sidney Telephone Company (a corporation duly organized and existing under the laws of Ohio), having heretofore filed its application asking the consent to and authority of this Commission to issue and distribute, pro rata, to its stockholders of record on July 31, 1918, common capital stock of the total par value of \$34,500 in lieu of certain moneys, not procured by the issue of stock, bonds, notes or other evidences of indebtedness, expended from the treasury within the five years preceding October 1, 1918, for the construction of additions, extensions and improvements to its facilities, which moneys such stockholders might otherwise have received, in dividends, as a return upon their said investment; and the Commission having, upon the filing of said application, deemed the assignment of the same for hearing to be unnecessary, said matter came on this day for final consideration.

The Commission, being fully advised in the premises, finds:

1. That within the five years ended October 1, 1918, The Sidney Telephone Company actually expended from its treasury for the construction, completion, extension and improvement of its facilities, the sum of \$34,516.73, none of which money was procured by the issue of stock, bonds, notes or other evidences of indebtedness; and

2. That the issue and distribution of applicant's common capital stock of the par value of \$34,500 is reasonably required and necessary for the reimbursement of applicant's stockholders for such moneys which they might, otherwise, have received in dividends as a return upon their said investment,

C. L. 85]

and is satisfied that consent and authority for the issue and disposition of such capital stock should be granted.

It is, therefore, ordered, That said The Sidney Telephone Company be, and hereby it is, authorized to issue, as fully paid, its common capital stock of the par value of \$34,500.

It is further ordered, That said capital stock be distributed pro rata to applicant's stockholders, of record as of July 31, 1918, in lieu of \$34,500 of the \$34,516.73 actually expended from applicant's treasury within the five years ended October 1, 1918, for the construction of additions, extensions and improvements to applicant's facilities and not procured by the issue of stock, bonds, notes or other evidences of indebtedness, which moneys such stockholders might otherwise have received, in dividends, as a return upon their said investment.

It is further ordered, That the applicant make verified report to this Commission of the issue and disposition of said capital stock pursuant to the terms and conditions of this order.

Dated at Columbus, Ohio, this twenty-eighth day of October, 1918.

In re APPLICATION OF THE HOME TELEPHONE COMPANY OF
IRONTON FOR LEAVE TO ISSUE BONDS.

No. 1538.

Decided October 28, 1918.

**Issue of 6 Per Cent. Bonds by Domestic Corporation at 8 Per
Cent. Discount to Reimburse Treasury for Money Expended
for Improvements, Authorized — Discount Ordered
Amortized.**

OPINION AND ORDER.

The Home Telephone Company (a corporation organized under the laws of Ohio, with its principal place of business at Ironton), having heretofore filed its application asking

the consent and authority of this Commission to issue its first mortgage, 6 per cent. gold bonds of the principal sum of \$16,000, the proceeds arising from the sale thereof to be applied toward the reimbursement of its treasury for moneys, not procured by the issue of stock, bonds, notes or other evidences of indebtedness, expended therefrom for the construction of additions, extensions and improvements to its facilities, and the Commission having, upon the filing of said application, deemed the assignment of the same for hearing to be unnecessary, said matter came on this day for final consideration.

The Commission, being fully advised in the premises, finds:

1. That within the five years ended June 30, 1918, the applicant actually expended from its treasury for the construction, completion, extension and improvement of its facilities, the sum of \$18,351.73, none of which was procured by the issue of stock, bonds, notes or other evidences of indebtedness;

2. That the issue of applicant's said bonds is reasonably required, and the money to be procured thereby necessary, for the partial reimbursement of applicant's treasury for said expenditures aforesaid, and

3. That under the conditions now obtaining in the financial markets and surrounding the sale of securities, 92 per cent. of the par value of said bonds will be a reasonable price for the sale thereof,

and is satisfied that consent and authority for the issue and disposition of said bonds should be granted.

It is, therefore, ordered, That said The Home Telephone Company (of Ironton, Ohio), be, and hereby it is, authorized to issue its first mortgage, 6 per cent. gold bonds of the principal sum of \$16,000, and that said bonds be sold for the highest price obtainable, but for not less than 92 per cent. of the par value thereof.

It is further ordered, That any discount arising from the sale of said bonds be amortized pursuant to the rules and regulations heretofore prescribed by this Commission.

It is further ordered, That the proceeds arising from the sale of said bonds be devoted to and used for the following

C. L. 85]

purposes and no other, to-wit: The partial reimbursement (to the extent of such proceeds) of applicant's treasury for the sum of \$18,351.73, not secured by the issue of stock, bonds, notes or other evidences of indebtedness, actually expended therefrom within the five years ended June 30, 1918, for the construction, completion, extension and improvement of its facilities, as more fully set out in the detailed statements appended to and submitted with said application, which hereby are made parts of this order by reference.

It is further ordered, That the applicant make verified report to this Commission of the issue and disposition of said bonds pursuant to the terms and conditions of this order, and of the expenditure of the proceeds thereof as hereinbefore provided.

Dated at Columbus, Ohio, this twenty-eighth day of October, 1918.

In re JOINT PETITION OF THE URBANA TELEPHONE COMPANY
FOR LEAVE TO ISSUE AND SELL, AND OF RECEIVERS OF
CENTRAL UNION TELEPHONE COMPANY TO ACCEPT AND
PURCHASE, CERTAIN COMMON CAPITAL STOCK IN SAID
COMPANY.

No. 1539.

Decided October 28, 1918.

**Issue of Stock by Domestic Corporation in Payment for Plant Purchased
from Competitor Authorized — Purchase of other Outstanding
Stock Authorized.**

OPINION AND ORDER.

The Urbana Telephone Company (a corporation duly organized and existing under the laws of Ohio), and David R. Forgan, Edgar S. Bloom and Frank F. Fowle, the duly appointed, qualified and acting Receivers of Central Union Telephone Company, having heretofore filed their joint

application asking, respectively, the consent and authority of this Commission,

1. For the issue by said The Urbana Telephone Company, of its common capital stock of the total par value of \$50,000, and 6 per cent. promissory notes, payable at periods of more than twelve months from date, of the principal sum of \$10,000,

(a) \$20,000, par value, of said capital stock, to be delivered to the Receiver of Central Union Telephone Company, in payment of the consideration for the property acquired by said The Urbana Telephone Company under authority of the order* made and entered in proceeding No. 1410, and,

(b) The proceeds arising from the sale of \$30,000, par value, of said capital stock and said notes to be used to pay for the construction of certain additions, extensions and improvements to applicant's plant and facilities, and,

2. For the acceptance and holding by said Receivers of Central Union Telephone Company of said \$20,000, par value, of capital stock to be issued as consideration for certain property heretofore sold by them to said The Urbana Telephone Company, and for the purchase and acquisition by said Receivers of said \$30,000, par value, of the common capital stock of The Urbana Telephone Company and, from the present holders thereof, of \$25,000, par value, other common capital stock of said The Urbana Telephone Company,

and the Commission having, upon the filing of said application, deemed the assignment of the same for hearing to be unnecessary, said matter came on this day for consideration upon that part thereof asking the consent and authority of this Commission to the issue of \$20,000, par value, of common capital stock by said The Urbana Telephone Company, and to the acceptance and holding thereof by the said Receivers of Central Union Telephone Company and to their purchase and holding of \$25,000, par value, of the present outstanding capital stock of said The Urbana Telephone Company.

The Commission, being fully advised in the matter, finds:

1. With respect to the application of The Urbana Telephone Company to issue \$20,000, par value, of its common capital stock,

(a) That the property, for the payment of the consideration for which said capital stock is to be issued, has a value of not less than \$20,000; and

* See Commission Leaflet No. 83, p. 1662.

C. L. 85]

(b) That the issue of said capital stock is reasonably required and necessary for the acquisition of property to be actually used and useful for the service and convenience of the public in the prosecution of applicant's corporate purposes;

2. With respect to the application of the Receivers of Central Union Telephone Company to accept and purchase, and hold certain capital stocks of The Urbana Telephone Company,

(a) That the convenience of the public will be promoted by such acquisition of said capital stock;

(b) That the service furnished the public will be improved thereby, and

(c) That the public will be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor,

and is satisfied that consent and authority for the issue and disposition of said \$20,000, par value, of common capital stock by The Urbana Telephone Company, and for the acceptance and holding thereof, and for the purchase and holding of \$25,000, par value, of other common capital stock of said The Urbana Telephone Company by David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, should be granted.

It is, therefore, ordered, That said The Urbana Telephone Company be, and hereby it is, authorized to issue, as fully paid and at par, its common capital stock of the par value of \$20,000.

It is further ordered, That said capital stock be delivered to David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, in full and final payment of the consideration for the property, the purchase of which by applicant, and the sale thereof by said Receivers of Central Union Telephone Company, was duly authorized by the order,* made and entered as of date September 27, 1918, in proceeding No. 1410, and for no other purpose whatsoever.

It is further ordered, That said The Urbana Telephone Company make verified report of the issue and disposition

* See Commission Leaflet No. 83, p. 1662.

of said capital stock pursuant to the terms and conditions of this order.

It is further ordered, That the said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, be, and hereby they are, authorized to accept and hold said \$20,000, par value, of the common capital stock of The Urbana Telephone Company.

It is further ordered, That the said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, be, and hereby they are, authorized to purchase from the present holders thereof, at a price satisfactory to said holders and to said Receivers, \$25,000, par value, of the present issued and outstanding common capital stock of The Urbana Telephone Company.

It is further ordered, That the findings hereinbefore set forth as to the service of the applicants shall not be binding upon this Commission in any future proceeding involving such service.

It is further ordered, That as to all other matters therein set forth, said application be deferred for further consideration.

Dated at Columbus, Ohio, this twenty-eighth day of October, 1918.

In re JOINT APPLICATION OF THE CHESAPEAKE AND POTOMAC TELEPHONE COMPANY OF WEST VIRGINIA AND W. H. GELDMACHER *et al.*, TRADING AS THE LEWISVILLE FARMERS TELEPHONE COMPANY.

No. 1523.

Decided November 6, 1918.

Sale of Property to Competitor Authorized.

OPINION AND ORDER.

The Chesapeake and Potomac Telephone Company of West Virginia (a corporation organized under the laws of

C. L. 85]

West Virginia and duly authorized to prosecute its business in the State of Ohio), and W. H. Geldmacher, Harry A. Schaub, Wm. J. Weber, Jacob M. Feiber, John H. Egger, John Heft, Fred Koehler and others, trading as the Lewisville Farmers Telephone Company, having heretofore filed a joint application asking the consent to and approval by this Commission of the sale, by said The Chesapeake and Potomac Telephone Company of West Virginia, of all its property situate within the townships of Summit, Franklin, Way and Seneca, and in the village of Lewisville, Monroe County, Ohio, to the said Lewisville Farmers Telephone Company, and of the purchase and acquisition thereof by said last named company; and the Commission having, upon the filing of said application, deemed the assignment thereof for hearing to be unnecessary, said matter came on this day for final consideration.

The Commission, being fully advised in the premises, finds:

1. That the operations of the said Lewisville Farmers Telephone Company are purely mutual, and this Commission has no jurisdiction with respect to said organization;
2. That all of the subscribers of the selling corporation within this territory will be afforded service satisfactory to them, upon such sale of said property, and have expressed their desire for the elimination of the duplicate service, and
3. That the said sale of property will promote the public convenience, and will furnish the public adequate service for a reasonable and acceptable rate, rental, toll or charge therefor,

and is satisfied that consent and authority for the sale of said property by The Chesapeake and Potomac Telephone Company of West Virginia should be granted.

It is, therefore, ordered, That The Chesapeake and Potomac Telephone Company of West Virginia be, and hereby it is, authorized to sell and convey to W. H. Geldmacher, and others, trading as the Lewisville Farmers Telephone Company, all and singular of its property and plant situate in Summit, Franklin, Way and Seneca Townships,

and in the village of Lewisville, Monroe County, Ohio, as more particularly described and enumerated in a certain form of agreement appended to the application herein as Exhibit A which, insofar as it describes and enumerates said property, hereby is made a part of this order by reference.

It is further ordered, That said The Chesapeake and Potomac Telephone Company of West Virginia, forthwith upon the passing of title to said property, file proper schedules withdrawing its rates for furnishing service within the territory now served by means of said property.

Dated at Columbus, Ohio, this sixth day of November, 1918.

OREGON.

Public Service Commission.

In re RATES, CHARGES AND REGULATIONS OF THE PACIFIC
TELEPHONE AND TELEGRAPH COMPANY (INVESTIGATION
ON COMMISSION'S OWN MOTION).

U-F-117 — Order No. 468.

Decided November 19, 1918.

**Installation and Moving Charges Prescribed by Postmaster General
Held Ineffective.**

ORDER.

It appearing to the Commission that on November 4, 1918, there was filed by The Pacific Telephone and Telegraph Company a schedule of increased rates and charges proposed by said company to be imposed upon and collected from its patrons for telephone service in the State of Oregon on and after November 15, 1918,

And, it further appearing from a communication to this Commission from Charles H. Carey, attorney for The Pacific Telephone and Telegraph Company that said rates so proposed are not intended to become effective otherwise than because of the authority of the Postmaster General of the United States, and that said proposed rate schedule cannot become effective under or by virtue of the State statute, for the reason that no application has been made as provided by the Public Utility Act of the State of Oregon, which communication states as follows:

"That the new rates which were filed by the company with the Public Service Commission on the fourth day of November, effective as of date, November 15, were so filed under direct authority of the Postmaster General of the United States who is operating the telephone lines. The company is merely the agent of the government in performing this duty. It is not the intention or the purpose of the company to claim that these

rates become effective otherwise than because of the authority of the Postmaster General, or that they will be effective after the end of government control, unless under the authority of the Public Service Commission."

Based upon the said communication and the Public Utility Act,

It is hereby ordered, That said schedules filed by The Pacific Telephone and Telegraph Company on November 4, 1918, be, and the same are, declared of no force and effect.

It is further ordered, That the only exchange telephone rates of The Pacific Telephone and Telegraph Company in the State of Oregon at the present time under and by virtue of the Public Utility Act, are those shown in the schedules on file with the Commission prior to November 4, 1918.

Dated at Salem, Oregon, this nineteenth day of November, 1918.

PENNSYLVANIA.

The Public Service Commission.

In re APPLICATION OF THE BELL TELEPHONE COMPANY OF PENNSYLVANIA FOR LEAVE TO FILE TARIFF INCREASING CHARGES FOR THE INSTALLATION AND MOVING OF TELEPHONES CONFORMABLE TO THOSE ORDERED BY POSTMASTER GENERAL ON LESS THAN THIRTY DAYS' NOTICE.

Application Docket No. 2173.

Decided October 22, 1918.

Charges for Installation and Moving Telephones Conformable to Those Ordered by Postmaster General, Authorized to be Effective upon One day's Notice.

REPORT.

This is an application on the part of The Bell Telephone Company of Pennsylvania for leave to put into effect in less than the statutory period an amendment to its tariff increasing rates for installing and moving telephones, in compliance with the schedule of such charges prescribed by the Postmaster General in Order No. 1931, later amended in Bulletin No. 8.

The Commission does not feel called upon to pass upon the wisdom or expediency of this schedule nor to express its own doubt of its propriety under existing circumstances. The telephone company is now being operated by the Federal authorities by virtue of an Act of Congress passed as a war measure, and it is to be presumed that the schedule of charges for installing and moving telephones now under consideration was pronounced with that in view. For the period of the war and while the telephone company is being operated under Federal control, subject to such complaints as may be hereafter lodged, and to our further decisions and orders made thereon, permission should be given. An

order will be made permitting this tariff to become effective on one day's notice.

ORDER.

Now, to-wit, October 22, 1918,

Leave is hereby granted to The Bell Telephone Company of Pennsylvania to post, publish and file, effective on one day's notice, an amendment to its tariff, providing for certain installation charges prescribed by the Postmaster General in Order No. 1931, later amended in Bulletin No. 8.

It is provided, however, That said amendment shall not remain in force and effect for a longer period than the duration of the existing war between the United States Government and the German Government and while the telephone company is being operated under Federal control. This amendment is allowed subject to such complaints as may be hereafter lodged against it, and to such decisions and orders as shall be made by the Commission thereon.

October 22, 1918.

SOUTH DAKOTA.

Board of Railroad Commissioners.

In re APPLICATION OF JEFFERSON AND CIVIL BEND TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE ITS RENTAL
RATES.

Docket No. 3243.

Decided November 18, 1918.

**Increase in Rates Authorized — 7 Per Cent. Fixed as Rate of Return —
Compliance With Law Regulating Prices and Rates for Switch-
ing Service Ordered — 24-hour Service Authorized —
Allowance for Reserve for Depreciation
Ordered Made — Certain Items Ex-
cluded from Operating Ex-
penses.**

Applicant sought authority to increase its rates for each class of service, including its switching fees, 25 cents per month, per telephone. The paid-up outstanding stock is \$4,500. For a number of years all the surplus earnings were invested in new construction and no return was received by the stockholders. In later years dividends as high as 15 per cent. were paid. The Commission found the fair value of the property to be \$10,000. The operating expenses, including taxes, for the year ended May 1, 1918, were \$2,489.05. This did not include \$500 spent for Liberty Bonds, \$217.95 for damage caused by sleet storm, and \$451 advanced to lineman for the purchase of an automobile. The present manager of the company acts as lineman and furnishes the operating force, for which he receives a salary of \$1,500 per year. The Commission found the operating expenses for 1918 would be \$3,686, including \$700 as an allowance for reserve for depreciation. Under present rates the company would earn a return of 3.6 per cent. Under proposed rates its return would be 12.3 per cent.

Held: That an increase in rates should be authorized, as the company was entitled to earn a fair return upon the value of its property devoted to the public service, such rates to yield a return of 7 per cent., which was considered reasonable;

That the company should enter into written contracts with all connecting companies covering the switching of rural party lines, and the company should immediately cease the practice of charging more than 25 cents per month, per telephone, for such switching service, in order to

comply with the provisions of the telephone law, Session Laws, 1917, Chapter 326, Sections 4, 8, regulating rates and contracts for switching service;

That applicant should be authorized to install 24-hour continuous service;

That an allowance for reserve for depreciation should be made, as it has been almost universally held by the courts, as well as by regulatory commissions, that it was not only the right of the company to make a provision to take care of depreciation, but it was its duty to the bondholders or stockholders, and in the case of a public service corporation it was its plain duty to the public;

That the money spent by the company for the purchase of Liberty Bonds, to repair damage due to the storm, and for the purchase of the automobile, should not be included in the operating expense account. The purchase of the Liberty Bonds was a splendid and commendable investment but in no sense was it an operating expense. The expense incident to damage caused by the storm was chargeable against the reserve for depreciation, and the purchase price of the automobile, being a loan by the company to its manager or lineman, should likewise be eliminated.

FINDINGS AND CONCLUSIONS.

This case came on for hearing on the application of the Jefferson and Civil Bend Telephone Company for authority to increase its rental rates for each class of service furnished by it, including the switching fees now received by it for the switching of foreign lines. The advance sought is in all cases 25 cents per month, per telephone. The case was heard at Jefferson. The Jefferson and Civil Bend Telephone Company appeared by *Mr. B. N. Bernard* and *Mr. H. M. Beavers*, its president and secretary respectively. The subscribers were represented by *Mr. B. J. Brown*, *Mr. R. A. Gilmore*, *Mr. W. E. Connors* and others. The Board was represented by its counsel, *Mr. Oliver E. Sweet*.

From the evidence it appears that this company owns and operates an exchange in Jefferson consisting of 20 business subscribers at \$2.00 per month, 80 residence subscribers at \$1.00 per month, and 125 rural party line subscribers at \$1.25 per month; that the exchange has toll line connections with both the New State and the Northwestern Telephone Exchange companies; that it performs switching service

C. L. 85]

for foreign rural lines, switching approximately 30 subscribers at a rate of $37\frac{1}{2}$ cents per month, per telephone. In its application the telephone company requests permission to increase each of the rates and charges to the extent of 25 cents per month, or \$3.00 per year, per telephone. The company advanced in justification of the increases asked for the following: that the cost of materials and labor has advanced due to the war conditions; that there is a strong demand for continuous service in lieu of the limited service now furnished.

The service furnished at the present time is from 6:00 o'clock A. M. to 9:00 o'clock P. M. on week days, and on Sunday from 8:00 o'clock A. M. to 10:00 o'clock A. M., from 12:00 M. to 2:00 P. M., and from 5:00 P. M. to 7:00 P. M., with emergency night service from 10:00 o'clock P. M. to 6:00 o'clock A. M. This limited service is declared by the subscribers of the company to be wholly inadequate to meet the needs of the community. The company expressed its willingness to install continuous 24-hour service, thereby fully meeting the demands of its subscribers; and the evidence shows that this very much more efficient service can be supplied at an additional expenditure of \$600 per annum. The present manager of the company acts as lineman and furnishes the operating force, for which he receives a salary or compensation of \$1,500 per year. The company contends that if continuous service is to be furnished there must be an increase in the manager's salary of the extra cost of furnishing his service.

It appears that the lines and equipment are maintained in an efficient manner and that the service, apart from the present hours of service, is satisfactory. The accounts of the company have been kept in such a manner that it was impossible for its representatives to show in detail the amount of money that actually went into the construction of the plant. In other words, the company was unable to furnish definite information as to the actual cost of the property. It has paid-up outstanding stock amounting to

\$4,500. It appears that for a number of years all of the surplus earnings were invested in new construction and that no return whatever was received by the stockholders on their investment. In later years the company has paid dividends at a rate as high as 15 per cent. upon the outstanding capital stock. It claims a fair value of \$10,000. It appears to our satisfaction that its contention in this regard may be sustained.

From a careful examination of all of the evidence, we are of the opinion, and find, that the fair value of the property of the company at the time of hearing and at the present time was, and is, \$10,000. The operating expenses, including taxes, as shown by the company for the year ended May 1, 1918, were as follows:

Salary of manager, lineman and operator.....	\$1,500 00
Rent	126 00
Office expense and freight	241 70
General expenses	149 85
Materials	325 32
Extra help	37 80
Taxes and fines	108 38
TOTAL	\$2,489 05

Certain other items of expense for the year in question were claimed by the company. It appears that an investment of \$500 was made in Liberty Bonds; that \$217.95 extraordinary expense was incurred, due to a severe storm, and \$451 was advanced to the lineman for the purchase of an automobile. The purchase of the Liberty Bonds was a splendid and commendable investment, but is in no sense an operating expense. The expense incident to damage caused by storm was properly chargeable against the depreciation reserve and we have therefore eliminated it from the statement of operating expenses. The purchase price of the automobile, being a loan by the company to its manager or lineman, cannot be treated as an expense, and likewise has been eliminated.

L. 85]

Having given careful consideration to all of the testimony, we approve and find for the purposes of this case estimated annual operating expenses as follows:

Salary of manager, lineman and operator.....	\$2,100 00
Rent	126 00
Maintenance and miscellaneous expenses	450 00
General expenses	150 00
Extra labor	50 00
Depreciation of plant and equipment.....	700 00
	<hr/>
	\$3,576 00

The taxes paid by the company during 1917 amounted to \$98.38. In view of the increasing taxing rates, we are of the opinion, and find, that an allowance should be made at this time of approximately \$110 for taxes. The operating expenses, including deductions from revenues for taxes, therefore amount in all to \$3,686. Included within these operating expenses is an item, Depreciation of Plant and Equipment, \$700, and in explanation of the allowance of this item it is deemed sufficient to say that it is almost universally held by the courts, as well as by regulatory commissions, that a reasonable allowance to cover depreciation must be made. In *City of Knoxville v. Knoxville Water Company*, 212 U. S. 1; 29 Sup. Ct. Rep. 149, the Supreme Court of the United States held that it is not only the right of the company to make a provision to take care of depreciation, but it is its duty to its bond or stockholders, and in the case of a public service corporation it is its plain duty to the public. Many other cases might be cited in support of the proposition. However, the question is so well settled, we do not consider further citation necessary.

We submit herewith a table for comparative purposes only. In the first column we set down the revenues derived from the present rates, in the second column the revenues derived from the rates proposed by the company, and in the third column the revenues which would be derived on the assumption that a fair and reasonable basis of rates

470 SOUTH DAKOTA BOARD OF RAILROAD COMMISSIONERS.

[S. D.]

to be established by this company for service to its patrons, is as follows, to-wit:

	<i>Per Month</i>
Main line business service.....	\$2 00
Main line residence service.....	1 25
Rural party line service.....	1 25

This table is also based upon the assumption that the switching fee should remain at the statutory rate of 25 cents per month for each telephone instrument and that the toll fees earned would amount to \$700 per annum.

	<i>Present</i>	<i>Proposed</i>	<i>Rates Assumed Reasonable</i>
Revenues	\$4,150 00	\$4,915 00	\$4,345 00
Operating expenses	3,686 00	3,686 00	3,686 00
	<hr/> *\$364 00	<hr/> \$1,229 00	<hr/> \$659 00

It will be noted that having deducted the operating expenses and taxes from the revenues, we find a net revenue in dollars under the present rates of *\$364, and under the proposed rates \$1,229. Under the present rates on the valuation herein found, the company would earn slightly over 3.6 per cent., while under the proposed rates its return on the same valuation would be approximately 12.3 per cent. Under the schedule of assumed rates, its return would be practically 6.6 per cent. The company is entitled to earn a fair return upon the value of its property devoted to the public service, and for the purposes of this case we approve, and find, that the company is entitled to a rate of return of approximately 7 per cent. It is quite evident that the return to the company under its present rates is too low and that some increase in its telephone rental rates must be authorized. We believe it is quite evident that the return under the rates proposed would be excessive, and that under the rates herein assumed to be reasonable this company would, with some further development of its plant, earn at least 7 per cent. upon the value of its property.

* An error is apparent.

C. L. 85]

The record in this case shows that the applicant performs switching service for 25 rural party line subscribers of the Broken Kettle Telephone Company, and for 5 subscribers of 2 rural party lines owned by individuals; that this switching service is performed for the owners at the rate of 37½ cents per month, per telephone. It likewise appears that written contracts covering the connections have not been entered into. As stated previously in this report, the company applies for an increase of 25 cents per month, per telephone. In other words, it asks permission to exact a rate of 62½ cents per month, per telephone, for the switching of rural party lines. Section 4 of the telephone law, as amended by Chapter 326 of the Session Laws of 1917, among other things, provides as follows:

"All arrangements or understandings, except subscribers' contracts, for the monthly rental of telephone instruments, entered into by any telephone company with any other telephone company or with any municipality for the furnishing of telephone service or equipment of any kind, must be reduced to writing and a copy thereof filed with the Board of Railroad Commissioners within ten days after the execution of such contract."

Section 8 of the telephone law provides as follows:

"Every telephone company shall connect its lines with the lines of any other telephone company doing business in the same vicinity that makes application therefor, and shall afford all reasonable and proper facilities for the interchange or switching of messages between lines for a reasonable compensation and without discrimination and under such rules and regulations as the Board of Railroad Commissioners may prescribe . . . , provided that the maximum charged for switching shall not exceed 25 cents per month for each instrument on any rural party line so connected."

It quite clearly appears that the company has been remiss in its duty to enter into contracts with the different companies for which it performs switching; that it has been likewise remiss in charging a greater compensation for the switching of rural party lines than the maximum permitted by the statute.

From careful examination of all of the testimony in this case, we are of the opinion, and find, that an order should be made and entered in this proceeding approving the fol-

lowing schedule of telephone rental rates for continuous 24-hour daily telephone service:

	<i>Per Month</i>
Business main line rate, per telephone.....	\$2 00
Residence main line rate, per telephone.....	1 25
Rural party line, per telephone.....	1 25

that the order should contain a provision requiring the Jefferson and Civil Bend Telephone Company to enter into a contract with each and every telephone company for which it performs switching service, and file a certified copy thereof with this Board; that the company should be required to immediately desist and refrain from charging a higher rate than 25 cents per month, per telephone, for switching of rural party lines; and that the rates herein established should be permitted to become effective December 1, 1918.

ORDER.

In this case, the Board having completed its investigation and made and filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing,

It is ordered, considered, and adjudged, That the following schedule of rates for continuous 24-hour daily service be, and the same hereby is, approved to become effective December 1, 1918:

	<i>Per Month</i>
Main line business, per telephone.....	\$2 00
Main line residence, per telephone.....	1 25
Rural party line, per telephone.....	1 25

that the Jefferson and Civil Bend Telephone Company be, and hereby is, required and commanded to enter into written contracts with all connecting companies covering the switching of rural party lines, and that said company be, and it hereby is, required and commanded to immediately desist from the practice of charging more than 25 cents per month, per telephone, for the switching of rural party telephones.

November 18, 1918.

VIRGINIA.

State Corporation Commission.

In re APPLICATION OF HOME TELEPHONE COMPANY FOR
APPROVAL OF CERTAIN INCREASED SUBSCRIBERS' RATES.

Case No. 715.

Decided September 23, 1918.

**Increase in Rates Denied — Both Corporation and Patrons Must Bear
the Increased Costs of Operation Due to War Conditions — Fail-
ure to Protest Against Increase in Rates was not of Itself
Sufficient to Justify Granting of Same — Charging Ex-
penditures to Maintenance Instead of Reserve for
Depreciation Considered — Valuation not Made —
Allegation of Increased Costs Must be Sup-
ported by Showing of Actual Expendi-
tures per Item — Allowance of Re-
turn on Property Bought out
of Earnings Considered.**

Applicant sought authority to increase all annual rates \$6.00 with certain exceptions, such increase averaging approximately 15 per cent. to 35 per cent., due to increased operating costs for 1918 of about \$2,500 because of higher prices of materials, increases in wages of employees and the cost of reconstructing and restoring country lines damaged by a sleet storm.

The proposed increases were estimated to produce \$1,920 additional revenue. The investment was \$52,597.53, the amount of outstanding capital, \$24,000, and the system had been built up largely from operating revenues. The amounts expended for maintenance had been less during each of the later than during each of the earlier years. No provision had been made for reserve for depreciation but replacements and improvements were charged to maintenance. It has been the policy to pay for new property out of earnings, each year since 1914 cash dividends were paid, and for 1917 the dividend was 21 per cent. of the capital stock.

Held: That the increase in rates should be denied as the company had been highly successful from a financial standpoint, as its earnings based on capital stock averaged over 18 per cent., and its earnings based on combined stock and claimed surplus averaged nearly 10 per cent. Although there was no allocation of property or expenses between local and toll rates and the Commission was unable to determine accurately

what would be the return from the proposed rates on the value of the property used in rendering the service, the average revenue per telephone was larger than that of 17 similar companies and the average miles of wire per telephone was less than that of 12 similar companies;

That assuming that 7 per cent. net on the value of the property was an adequate return, the company had accumulated since 1914, in addition to an allowance of 7 per cent. dividends on the value of the investment, a surplus for emergencies and improvements of \$6,500. This was adequate to care for all possible increases in expenditures for some years to come, and the fund should be used to restore the service, since the expenditures for maintenance for 1916, 1917 and 1918 showed a decrease over the preceding period of approximately \$3,600;

That the Commission's policy was to recognize abnormal operating costs and conserve the investments of public service corporations during the continuance of war conditions, but it would not permit utilities to transfer from themselves to their patrons all burdens caused by the national crisis in which every citizen should do his part. A prosperous corporation should resort to the surplus of previous years which was created by the patrons who paid the bills;

That the fact that no patron of the company appeared at the hearing to protest against the proposed increase was not in itself sufficient to justify the granting of the petition, as it was the Commission's duty to protect the interests of not only that part of the public possessing the necessary information and initiative to appear and be heard, but also all citizens who, conceivably, were not in possession of all the facts concerning the case in point nor of the general situation;

That while it was customary for utilities to have a reserve for depreciation account and charge amounts thereto each year to represent loss in value of the destructible property of the plant over and above what was covered by current repairs, the allowance so made being for the purpose of protecting against loss and wear and tear, obsolescence and inadequacy, it appeared that depreciation was fully taken care of by expenditures charged to maintenance included in operating expenses;

That if the book value represented the fair value, the company was earning an adequate return and a surplus sufficient to meet the expected increases in expense, but there was internal evidence that the property was not worth, for rate-making purposes, the present book value, although at this time such evidence would be disregarded;

That the Commission would not say that a return should not be earned on property bought with past earnings, although it was questionable whether, because of greater value or betterment of property created in that way, it was just to charge increased rates to the public who had paid the costs thereof, but when the utility earns a reasonable net return on a fair valuation and elects to convert a large part of such return into new or improved property it could not ask to earn larger cash dividends on its stock;

C. L. 85]

That figures prepared by a public accountant, designed to show the increased cost of certain expense items, could not be taken into consideration since the actual expenditures per item were not shown, and while the percentage of increased cost on an item might be very great, yet the effect on the company's revenues might be slight, owing to the small amounts of the item used, and in the absence of figures to show the actual expenditures per item the Commission could not say that the increased costs were material.

OPINION AND ORDER.

This case relates to a petition of the Home Telephone Company, with its home office at Smithfield, for the approval of the Commission to increase those of its yearly subscribers' rates which at present are as follows:

*Smithfield Exchange.**Residence:*

Wall, multiple line.....	\$21 00
Wall, private line.....	24 00
Wall, country party line, with right to call Smithfield.....	24 00
Desk, private line.....	27 00
Desk, country party line, with right to call Smithfield.....	27 00

Business:

Wall, multiple line.....	33 00
Wall, private line.....	36 00
Wall, country party line, with right to call Smithfield.....	36 00
Desk, private line.....	39 00
Desk, country party line, with right to call Smithfield.....	39 00

*Dendron Exchange.**Residence:*

Wall, multiple line.....	18 00
Wall, private line.....	21 00
Desk, multiple line.....	21 00
Desk, private line.....	24 00

Business:

Wall, private line.....	27 00
Desk, private line.....	30 00
Wall, private line.....	*36 00
Desk, private line.....	*39 00

* With right to call Surry and Wakefield, with 5 cents switching charge at Wakefield.

*Surry Division.**Residence:*

Wall, country party line.....	*24 00
Desk, country party line.....	*27 00

Business:

Wall, country party line.....	*36 00
Desk, country party line.....	*39 00

* With right to call Dendron, Surry and Wakefield, with 5 cents switching charge at Wakefield.

On the grounds of meeting the demands of its employees and to reestablish and reconstruct the country party lines, and to meet the increased cost of maintenance and material and to safeguard the stockholders' interests, it is proposed by the company that \$6.00 be added to each of the annual rates above stated. There are other subscribers' rates, particularly for service through the Dendron exchange, varying from \$18.00 to \$30.00 per year, and for service over lines owned, or partly owned, by farmers, which it is not proposed to advance.

The Home Telephone Company was organized to take over, and did take over, the Smithfield Telephone Company, the Isle of Wight Telephone Company and the Peoples Telephone Company, which were operating several lines, principally in and out of Smithfield, and the present company operates exchanges at Smithfield, Dendron and Surry, all of the lines except four being metallic circuits.

The increases, if made, will apply to 320 telephones, out of the total number of 404 owned and operated by the company. The amount of additional revenue from the proposed increases in rates for one year is estimated at \$1,920. The proposed increased rates being so general, the evidence presented was of a general nature.

The fact that no patron of the Home Telephone Company appeared at the hearing before this Commission to protest against the proposed rate increase, while indicating good feeling between the company and the people it serves, and perhaps an unwillingness to oppose the higher charges, is

C. L. 85]

not in itself sufficient to justify the Commission in granting the prayer of the petition. It is our duty to protect the interests of not only that part of the public possessing the necessary information and initiative to appear and be heard, but also of those citizens who, conceivably, are not in possession of all the facts concerning the case in point, nor of the general situation, which this Commission may and should require as a basis for its decisions. We are commissioned to represent all the people, whether they are otherwise represented or not.

The entire investment is stated to be \$52,597.53, and the amount of outstanding capital stock \$24,000. It is admitted that the system has been built up largely from operating revenues. In the following table will be seen comparative figures showing the progress of this company and the support received from its patrons.

This table shows whole number of dollars and relates to the fiscal years ended January 31 in each year named:

	1913	1914	1915	1916	1917	1918
Total of property account (asset).....		\$43,358	\$44,393	\$45,697	\$46,075	\$46,496
Gross earnings from operation.....	\$15,999	\$17,576	\$17,798	\$17,656	\$17,971	\$19,826
Expenses:						
Operation.....	\$7,505	\$8,174	\$7,931	\$7,740	\$7,709	\$8,089
Maintenance.....	5,818	8,596	6,263	4,395	5,289	5,110
*TOTAL EXPENSES.....	\$13,323	†\$14,770	\$14,194	\$12,135	\$12,998	\$13,199
Net profits from operation (including certain other deductions for 1915, 1916, 1917 and 1918).....	\$2,676	\$2,806	\$2,977	\$5,424	\$4,773	\$6,227
Percentage net profits from operation of property assets.....		6.47	6.71	11.87	10.36	13.39
Percentage net profits from operation of capital stock.....	11.15	11.69	12.41	22.6	19.89	25.95
Amount of surplus as of Jan. 31..	\$15,129	\$18,197	\$19,890	\$24,152	\$27,740	\$28,936

* It appears that taxes are included in expenses.

† An error is apparent.

The total revenue shows an almost constant yearly increase with markedly increased earnings in the year ending January 31, 1918, which includes ten months of our first war year. It will be seen that the percentage of return on the company's own value of its plant, and also the surplus,

have almost without interruption been steadily augmented. The expense account shows a marked reduction for the years ending January 31, 1916-17-18, over the expenditures of the previous three years, largely accounted for by an average reduction of \$1,294 per year in maintenance. This reduction, it will be noted, was accompanied by a still greater increase in the net profits.

Inasmuch as one reason urged for increasing rates is that greater revenue is needed for replacements, etc., included in maintenance, it is significant that although the earnings, both gross and net, show a larger average during the last three than during the first three of these fiscal years, the amounts expended for maintenance were to a marked degree less during each of the later than during each of the earlier years. If it is now necessary that maintenance expenditures be increased, this is probably due at least in part to recent earnings being carried to surplus or profits which might have been applied to maintenance.

In arriving at the net profits from operation shown in the above table, the other deductions referred to include depreciation of live stock and delivery equipment and furniture and fixtures, the entire amounts of such other deductions for the years 1916, 1917 and 1918 being on this account. The auditor's report, covering the year ended January 31, 1917, states:

"No provision has been made for depreciation, but we were informed by your president that the lines and equipment are in good condition, and that depreciation is more than offset by replacements and improvements, charged to maintenance,"

and similar references are made in the other annual reports submitted. Utilities of this character customarily have a depreciation account, and charge amounts thereto each year to represent loss in value of the destructible property of the plant over and above what is covered by current repairs, the allowance so made being for the purpose of protecting against loss from wear and tear, obsolescence and inadequacy, and it appears that the depreciation in this case is,

L. 85]

except as otherwise referred to above, fully taken care of in the expenditures charged to maintenance included in operating expenses. In addition thereto, it has been the policy of the company to pay for new property out of its earnings, and it also during each fiscal year since 1914 paid cash dividends to the stockholders, and for the last fiscal year ended January 31, 1918, this was 21 per cent. of the capital stock.

It is evident that this company has been highly successful from a financial standpoint. Based on its capital stock, in recent years its earnings have averaged over 18 per cent. Based on the company's combined stock and claimed surplus the earnings have averaged nearly 10 per cent. The Commission's decision in this case involves, therefore, the following questions:

What is a fair rate of return on the property of the stockholders used in giving telephone service under the conditions surrounding this company?

What is the fair value of the property to be taken as a basis of return to be met by the rates?

What is the function of a surplus above a fair rate of return earned in prosperous years in reference to the rates to be charged in lean years, or in years of abnormally high expense, such as confront the nation at this time?

Since the question before the Commission is whether the company really requires additional revenue to meet extraordinary expenses to rehabilitate its lines and to meet higher wages, if, on the assumption that the book value represents the fair value for rate purposes, the company has been earning an adequate return and a surplus sufficient to meet the expected increase in expenses, a closer determination of the value of the property need not be made. There is internal evidence that the property is not worth for rate-making purposes the present book value, but for this time such evidence may be disregarded.

On the assumption that 7 per cent. net on the value of telephone property is an adequate return (the Commission

disclaiming an intention to establish a standard at this time), there has been accumulated, since the Commission was given full regulatory power over public utilities by the Act of 1914, approximately \$10,000 of surplus in addition to dividends paid amounting to \$8,640, or a total of \$18,640 of profit. This, on the total book value of the investment on January 31, 1914, of \$43,356, equals 43 per cent. or an annual return of $10\frac{3}{4}$ per cent.; 7 per cent. would be \$3,035 a year, or a total of \$12,140, available for the stockholders, leaving a surplus for emergencies and improvements of \$6,500. This, even according to the claims of the president of the company, is adequate to care for all possible increases in expenses for some years to come. Especially is this fund obligated to be used as much as necessary to restore the service, since the expenditures for maintenance during the years 1916, 1917 and 1918 show a decrease over the preceding period of approximately \$3,600.

While all of the proposed increases are for local service through this company's exchanges to term subscribers, and none in toll rates, yet no attempt is made to divide the expenses of each class of service or the property value used for and assignable to each class of service. We are, therefore, unable upon this record to determine accurately what would be the return from the proposed increased rates on the value of the property used and useful in rendering the service covered by these rates, but as such value is less than the total value of all of the property in use the return thereon at the proposed rates, if allowed, would doubtless be greater than actually earned on the value of the entire property as shown in the table above. The average revenue per telephone during the year ended January 30, 1917, was \$46.80, a larger average than any of 17 other telephone companies operating in various towns and counties in Virginia with which comparison was made. The average number of miles of wire construction per telephone is .82, while the general average of 12 of the companies, including the Home Telephone Company for which this information was obtainable, was 1.24 miles.

L. 85]

The oral testimony of the president of the company was that there will be a probable increase in operating costs for the year 1918 of about \$2,500, due mainly to the prices of materials being higher than heretofore, and partly to increases in wages of employees, and including the cost of reconstructing and restoring some of the country party lines which were damaged by a sleet storm in January 1918. While no list showing the quantities of supplies and prospective prices is furnished, yet whatever additional costs of this character there may be in the year 1918 are due to war conditions. From the report of the Commission's engineer, made after inspection, it seems that the expenses for operations at Smithfield and Dendron, and the maintenance of the 353 miles of wire in use, are unusually high, and the suggestion is made that these expenses may be curtailed.

In reference to emergency conditions caused by the war, this Commission is already on record (see opinion on *Application of Virginia-Carolina Railway Company for Increased Class Freight Rates*, Case No. 611, April 18, 1918, and decisions in numerous other cases) as having adopted a policy which will recognize abnormal operating costs and conserve the investments and operating equipment of public service corporations during the continuance of war conditions. But we do not and cannot agree to a policy that will permit corporations to transfer from themselves to their patrons all of the burdens imposed by a national crisis, in which every citizen is called upon to share. For the most part our people are cheerfully making the necessary sacrifices, and a prosperous corporation can do no less than to resort, if necessary, to the surplus of previous years, which was in fact created by the patrons who paid the bills.

In view of the last reported surplus, (\$27,740.94), in the treasury of this company, its financial condition cannot be considered alarming, nor that the interests of the stockholders are in jeopardy, especially as nothing is offered to show that under judicious management the increase in

operating expenses will necessitate a reduction of the surplus.

We do not say that a return should not be earned on property bought with past earnings, although it is questionable if, on account of greater value or betterment of property created in that way, it is just to charge increased rates to the public who have paid the costs thereof. But when a utility, as in this case, is earning a reasonable net return on a fair valuation of the plant, so far as shown, and elects to convert a large part of such return into assets in the form of new or improved property, it cannot be heard to complain that it should earn larger cash dividends on its stock.

Chapter 340 of the Acts of Assembly, 1914, vesting this Commission with powers of control over the rates of telephone and certain other utilities in Virginia, reads in part as follows:

Section 1 (b). "It shall be the public duty of every public utility to furnish reasonably adequate service and facilities at reasonable and just rates to any person, firm or corporation along its lines * * *."

Section 7. "*Commission to fix rates and regulations.* If upon investigation the rates, toll, charges, schedules, or joint rates of any public utility operating in this State shall be found to be unjust, unreasonable, insufficient or unjustly discriminatory or to be preferential or otherwise in violation of any of the provisions of this Act, the State Corporation Commission shall have power to fix and order substituted therefor such rate or rates, tolls, charges or schedules as shall be just and reasonable."

A rate or rates may be reasonable and still be insufficient, but there is no claim on the part of the company that the rates involved in this proceeding are unreasonably low, and their petition rests upon the claim that they are insufficient. In this connection, it is worthy of notice that from a comparison of subscribers' term rates on file with the Commission it is seen that those of the Home Telephone Company are generally not less, but, to a large extent, higher than the rates of other telephone systems operating in Virginia of similar importance and patronage.

C. L. 85]

A decision on this application has been delayed, first, at the request of the petitioner to permit it to submit additional figures, and, second, because of the situation resulting from government operation of wire lines. The new figures prepared by a public accountant are designed to show the increased cost of certain expense items of the Home Telephone Company. These figures are, however, without value to the Commission in determining this case, since they merely show the percentage of increase in costs without giving the actual expenditure per item. For instance, it is shown that there has been an increase of 93 per cent. in the cost of wiping metal, otherwise known as solder, which in a year would amount to an utterly insignificant figure in the business of this company. Again, the item of receiver cards, showing a greatly increased percentage of cost, means an actual increase to this company of almost nothing. Wire, at 117 per cent. increase, is, of course, a more important item, but without any large amount of new construction, the total quantity required cannot be great. While the percentage method as applied to labor items is more nearly correct, since there are fewer laborers than operators, the tendency of the calculation as presented is to show a higher burden of cost than the actual burden.

A method of accounting which shows a much higher percentage of increase in operating costs than of increase in revenue is likely to be misleading, since the gross revenue of a public service corporation must necessarily be very much larger than the operating expenses (not including capital charges) if a reasonable return is earned on the investment. It follows that a 25 per cent. increase in gross earnings is quite likely to balance a 50 per cent. increase in operating expenses, and it is to be assumed that the Home Telephone Company will earn more money in 1918 than in 1917; and while its expenses will undoubtedly be heavier, the net result may not be such as to embarrass the company.

With a system having perhaps the highest gross receipts per telephone of any system in Virginia, and with a method

of charging which brings unusually large amounts for tolls in addition to the regular rentals, and in view of the showing that in previous years there must have been considerable deferred maintenance, the money for which in 1917 was expended in an especially large dividend, it still seems that the Home Telephone Company, under careful management, should be able to conduct its business without serious embarrassment and earn a fair percentage on its probable present normal value.

Upon all of the facts in evidence, it is our opinion and conclusion that the rates as a whole now charged, and revenues derived therefrom, are not insufficient, and that a higher system of rates would not be just and reasonable.

An order will accordingly be entered denying approval of subscribers' rates generally higher than those now in effect.

ORDER.

After notice to the public given by the petitioner through newspaper and by posting, the Commission having considered the evidence adduced, for the reasons stated in the opinion of the Commission of this date, here referred to and made a part hereof,

It is ordered, That the petition be denied and that the proceedings in this case be, and are hereby, dismissed.

September 23, 1918.

WISCONSIN.

Railroad Commission.

In re APPLICATION OF WHEELER TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-960.

Decided November 1, 1918.

Increase in Rates with Prompt Payment Discount, Authorized.

OPINION AND DECISION.

The application of the Wheeler Telephone Company was filed with the Commission June 17, 1918. It is set forth therein that the company is organized as a corporation and that as a public utility it is operating a telephone exchange at Wheeler, Wisconsin, and that the lawful rates now in effect are as follows:

	<i>Per Month</i>
Party lines.....	\$1 00
One-party line.....	1 50
Two-party lines.....	1 25
Desk 'phones.....	25 extra
Extension bells.....	25 extra

An investigation of the rates on file with the Commission discloses, however, that the only rate on file is \$1.00 per telephone, per month, for any class of service.

The applicant alleges that the revenues arising from the application of the rates as stated is not sufficient to meet its operating expenses and fixed charges, and permission is asked for authority to put the following schedule into effect:

	<i>Per Month</i>
One-party business.....	\$2 00
Two-party business.....	1 75
Three-or more party business.....	1 50
One-party residence.....	1 75
Two-party residence.....	1 50
Rural	1 25
Extension bells.....	25

A hearing on the application was held July 15, 1918, at Madison, Wisconsin.

R. F. Breitengross appeared for the petitioner; there were no appearances in opposition.

The company whose application is under consideration operates a magneto exchange at Wheeler, Dunn County, extending service to the village population of 175 and to approximately 90 square miles of adjacent rural territory. The total number of subscribers connected number 200; and the number of lines assigned 40. The classification is as follows:

TABLE NO. I.

CLASSIFICATION OF SUBSCRIBERS AND LINES DECEMBER 31, 1917.

	<i>Business</i>	<i>Residence</i>	<i>Rural</i>	<i>Toll</i>	<i>Total</i>
Number of subscribers.....	21	22	162	.....	205
Percentages	10.24	10.73	79.93	.....	100.00
Number of lines.....	13	9	14	4	40
Percentages	32.50	22.50	35.00	10.00	100.00

PROPERTY.

The applicant estimates its investment in property at \$9,028.86, distributed as follows:

Central office equipment.....	\$744 90
Wire plant equipment.....	4,346 47
Substation equipment	3,426 44
General office equipment	15 00
Tools and miscellaneous	71 05
Toll lines and through connecting lines.....	425 00
TOTAL	\$9,028 86

The investment is equivalent to an average of \$44.00 per telephone, or, exclusive of the toll line investment, it averages approximately \$42.00 per telephone. This item indicates a conservative estimate as compared with the Commission's averages for similar plants and it will be used in determining reasonable allowances for fixed charges.

OPERATING EXPENSES.

The operating expenses for 1916, 1917, and six months of 1918, as reported by the applicant in its reports to the Commission, appear in the following table:

TABLE NO. II.

OPERATING EXPENSES.

	<i>Year End- ing Decem- ber 31, 1916</i>	<i>Year End- ing Decem- ber 31, 1917</i>	<i>Six Months Ending June 30, 1918</i>
<i>Revenues:</i>			
Earnings from telephone rentals..		\$2,502 10	\$1,293 75
Commissions on long distance tolls.	\$3,028 13	169 19	52 17
Other toll earnings.....		297 20	117 11
Miscellaneous earnings.....			9 00
TOTAL REVENUES.....	\$3,028 13	\$2,968 49	\$1,472 03
<i>Operating Expenses:</i>			
Central office expense.....		949 66	415 51
Wire plant expense.....		560 85	186 97
Substation expense.....	1,869 30	418 00	463 76
Commercial expense.....		180 00	141 00
General expense		108 07	1 00
Undistributed expense.....			5 00
TOTAL ABOVE EXPENSES.....	\$1,869 30	\$2,216 58	\$1,213 24
Depreciation		570 00	
Taxes	58 82	65 01	
TOTAL	\$1,928 12	\$2,851 59	

The expenses, excluding depreciation, interest and taxes, as reported above indicate an average expense of from \$10.00 to \$12.00 per telephone. While this charge may be a maximum for exchanges of this character, there may be local conditions affecting the operation of the plant, which would justify this average expense. We believe that in determining adequate rates for the applicant, it would seem reasonable to give consideration to an amount for operating expense equal to that reported for the year ending December 31, 1917, or \$2,216.58.

Interest and depreciation requirements on a reported plant value of \$9,029 will demand approximately \$1,264 annually, making the total amount for operating expenses and fixed charges, exclusive of taxes, equal to \$3,481. Estimating the tax requirements at \$75.00, the total to be met by revenues is \$3,556.

The applicant's toll revenues for the last fiscal year amounted to \$466, and if we assume the same income from the source in the present determinations, we have a net amount of \$3,090 to be met by exchange revenues, or an average of \$15.00 per telephone. We believe the following schedule will produce sufficient revenues to meet this requirement.

<i>Class of Service</i>	<i>Number of Subscribers</i>	<i>Net Monthly Rate</i>	<i>Estimated Annual Revenues</i>
Business, one-party	10	\$1 75	\$210 00
Business, two-party	5	1 50	90 00
Business extension	2	50	12 00
Residence, one-party	2	1 50	36 00
Residence, two-party	2	1 25	†270 00
Residence, three- or four-party*...	1	1 00	12 00
Rural, business	1	1 50	18 00
Rural, residence	166	1 25	†2,489 00
TOTAL ESTIMATED YEARLY REVENUES.....			\$3,137 00

* Lines having in excess of four parties per line are classed as rural.

† An error is apparent.

The above rates will be authorized and we suggest the company file the following rules relative to collecting:

All local business and residence subscribers will be billed monthly in advance at a gross rate 25 cents in excess of the net monthly rate for main telephones. If paid on or before the fifteenth of the month in which service is given, the 25 cents will be discounted to the subscriber.

All rural rates are due quarterly in advance and each subscriber will be billed at a rate 75 cents in excess of the quarterly rate. If the bill is paid the first month in the quarter, the 75 cents will be discounted; if paid during the second month 50 cents will be discounted; and if paid during the third month 25 cents will be discounted. If bills are

C. L. 85]

not paid by the end of the period for which billed, the subscriber becomes subject to such discount rule as may be filed by the company and accepted by the Commission.

It is, therefore, ordered, That the applicant, the Wheeler Telephone Company, be, and the same hereby is, authorized to discontinue its present rate of \$1.00 per telephone and substitute therefor the following schedule:

	<i>Net Per Month</i>
Business, one-party	\$1 75
Business, two-party	1 50
Business extension	50
Residence, one-party	1 50
Residence, two-party	1 25
Residence, three- or four-party	1 00
Rural, business	1 50
Rural, residence	1 25
Extension bells	15

Rates may be made effective on and after November 1, 1918.

Dated at Madison, Wisconsin, this first day of November, 1918.

In re APPLICATION OF ANTIGO TELEPHONE CORPORATION FOR
AUTHORITY TO ADJUST AND INCREASE ITS RATES FOR
SERVICE.

U-961.

Decided November 1, 1918.

Increase in Rates Authorized — Item of Expense for General Officers' Salaries Reduced — Insurance Premium on Life of Manager Excluded from Operating Expense — 6.15 Per Cent. Fixed for Reserve for Depreciation — 9 Per Cent. Allowed as Rate of Return — Redistribution of Subscribers, as Estimated by Company because of Increased Rates, Disregarded — Additional Charge for Rural Service Beyond 5-mile Radius from Central Office, Denied.

Applicant sought authority for an increase in rates. The book value of the plant as reported on December 31, 1917, in the annual report to the Commission was \$80,982.77, or a decrease over the first of the year of \$2,667.19. An inventory made by the applicant showed a repro-

duction value as of January 1, 1917, of \$85,036, including an overhead allowance of 14 per cent., and a reproduction value, less depreciation, of \$74,137. The reproduction value as set forth in the appraisal gave an average value of \$59.75 per telephone, excluding switched telephones, or \$103.32 per line equipped, which average the Commission found to be in excess of those of several similar exchanges. As there was no division of the property between local and switched and toll, nor any division of operating expenses, the cost of the plant and the operating expenses were considered in their entirety. The Commission found the operating expenses for the year ending December 31, 1917, excluding an annual premium of \$813 paid by the company on a corporation life insurance policy on the life of its manager, and an item of \$4,140 for general officers' salaries, to be \$14,053.48, including the sum of \$2,202 chargeable to switching service. War time conditions will necessitate an expenditure of \$6,000 additional for operators' salaries.

Held: That an increased schedule of rates as set forth by the Commission should be authorized, as applicant was entitled to total revenues of \$24,260, including an allowance of \$6,800 for a return, and an allowance of 6.15 per cent. of the total reproduction cost as a reserve for depreciation, based upon computations upon average normal lives for the different items of property and a 2 per cent. sinking fund basis, and upon the fact that the plant included no buildings or underground construction, which made a slightly higher allowance necessary;

That the item of \$7,500 for general officers' salaries, which is composed of \$3,000 for manager's salary, \$3,000 for president's salary, and \$1,500 for vice-president's salary, should be reduced, as the duties performed by the president and vice-president were not in proportion to the salaries charged. Since some time was spent by these officers in attending directors' meetings, a nominal sum should be allowed for such services, and a yearly allowance of \$360 in the operating expenses should be made;

That the premium of \$813 paid on a corporation life insurance policy on the life of the manager should not be included in operating expenses, as the company was not so different from other telephone plants as to necessitate a charge to subscribers on account of any precaution taken by the company in safeguarding its business in case of the death of the manager;

That revenues in excess of expenses of 9 per cent. might not be justified under the normal distribution of the company's subscribers, but under the prevailing conditions at applicant's plant, with a possible redistribution of subscribers to cheaper classes of service, a factor of safety was permissible, and the schedule as stated should be authorized;

That the redistribution of the subscribers because of increased rates, as set forth by the applicant, should be disregarded in considering the amount of revenues needed, as there is a tendency on the part of sub-

C. L. 85]

scribers as a whole to retain the class of service to which they have been accustomed, even if there may be a material increase in rates, and under present rulings of the government it becomes almost an economical necessity for a subscriber to retain the same class of service;

That an excess radius charge, in addition to rural rates, to all subscribers residing beyond a 5-mile radius from the central office should be denied, as such a limitation would not tend to the best development of applicant's rural business, nor would a 5-mile radius mark the limit of the territory which was naturally tributary to Antigo and that which the company as a utility should aid in developing.

OPINION AND DECISION.

The petition of the above named Antigo Telephone Corporation was filed with the Commission June 13, 1918, and shows:

That it is a corporation organized and doing business under the laws of the State of Wisconsin with its principal place of business at Antigo, Wisconsin, where as a public utility it manages and operates a telephone plant giving local and toll service exchange to the city of Antigo and its adjacent territory.

The schedule of rates of the Antigo Telephone Corporation as now in force in its territory is as follows:

	<i>Per Month</i>
Business telephones, city	\$2 50
Residence telephones, city	1 25
Business extension, city	60
Residence extension, city	50
Extension bells	15
Schools and lodges	1 50
Outside move of telephone	2 00
Inside move of telephone	1 00
Rural, residence	1 50
Rural, business	2 50
Rural, residence switching service	50
Rural, business switching service	1 00

The applicant alleges

1. That because of great economic stress, due in part to the rapidly developing community in which it operates, and in part to the present abnormal conditions as affecting the

prices of labor and materials, the revenues arising from the application of its present rates are insufficient to enable it to continue to operate and maintain its plant and to earn a reasonable return on the fair value of its property.

2. That to increase the net revenue so as to enable it to earn a reasonable return on the fair value of its property, to permit it to improve its service, and to enable it to maintain its credit so that it may continue to enlarge its plant and supply the increasing demand for telephone service in its territory, attention should be given to the following suggested schedules:

Business Telephones.

	<i>Per Month</i>
Business, one-party	\$3 50
Business, two-party (selective ringing)	2 75
Business, receiving line	2 75
Business extension telephone	60

Plus 25 cents per month for each one-eighth mile of line or fraction thereof on stations located outside of premises where main telephone is installed.

Residence Telephones — (Wall Sets).

	<i>Per Month</i>
Residence, one-party	\$2 50
Residence, two-party (selective ringing)	1 75
Residence, four-party (semi-selective ringing)	1 75
Business extension telephone	50

Plus 25 cents for each one-eighth mile of line or fraction thereof on stations located outside of premises where the main telephone is installed.

Rural Telephones.

	<i>Per Month</i>
Rural lines, wall telephones only	\$1 50
Plus 25 cents per month for each mile beyond a five-mile radius from the exchange.	
Rural, switching service	50

Charitable Institutions.

One-party line, wall or desk

\$2 00 per month

The above includes churches, public libraries, Y. M. C. A., Y. W. C. A., charitable hospitals, organized charities.

APPLICATION OF ANTIGO TELEPHONE CORPORATION. 493

. L. 85]

Public and Parochial Schools.

One-party line, wall or desk..... \$2 00 per month

For installations beyond one and one-half miles from the central office, an extra charge of 50 cents per month per one-fourth mile will be made on the distance beyond the initial distance of one and one-half miles.

Penalty Charges.

A penalty of 25 cents per month will be charged on all main line telephones if rentals are not paid on or before the fifteenth day of each current month.

Miscellaneous Charges.

	<i>Per Month</i>
Ordinary extension bell	\$0 15
Extension bell, 4" gong.....	25
Extension bell, 6" gong.....	25
Cut-off switch, extension bells.....	10
Auxiliary receiver	10
Joint user	1 00
Additional directory listing for a subscriber.....	25

Moving Charges.

Outside move, from one building, apartment or office to another.	\$2 00
Inside move, within the same building, apartment or office....	1 00

Cancellation Charges.

A cancellation charge of 50 cents per month applicable to all subscribers within exchange radius on all main line telephones.

All rates are based on one year's contract and for one year's continuous service.

Private Branch Exchange Rates.

	<i>Per Month</i>
Cordless switchboard equipped with 2 trunks and 5 lines....	\$3 00
First trunk	2 50
Second trunk	2 25
Generator circuit	1 00
Each station within building (wall or desk).....	60
Each station outside building.....	60

Plus 25 cents per month for each one-eighth mile or fraction thereof, line charge.

Per Month

Switchboard requiring operator, equipped for 3 trunks and 15 lines	\$5 00
First trunk	2 50
Second trunk	2 25
Receiving trunk	2 25
Each subsequent trunk	2 25
Generator circuit	1 00
Each station within building (wall or desk)	60
Each station outside building (wall or desk)	60

Plus 25 cents per month for each one-eighth mile or fraction thereof, line charge.

Per Month

Switchboard requiring operators, equipped with 5 trunks and 30 lines	\$7 00
First trunk	2 50
Second trunk	2 25
Receiving trunk	2 25
Each subsequent trunk	2 25
Generator circuit	1 00
Additional trunks, each	2 25
Each station within building (wall or desk)	60
Each station outside building (wall or desk)	60

Plus 25 cents per month for each one-eighth mile or fraction thereof, line charge.

The trunk line rates for private branch exchanges apply only to service furnished within one and one-half miles of the central office. For each quarter mile or fraction thereof beyond this initial distance, a charge of 50 cents will be made.

A penalty of 25 cents per month will be charged on all trunk lines if bills are not paid on or before the fifteenth day of the current month.

Following the filing of the application, due notice was given for a hearing which was held at Madison, Wisconsin, July 11, 1918.

The following appearances were entered: *Walter F. Gallon*, secretary and treasurer, for the Antigo Telephone Corporation; *F. J. Finucane*, for the city council and citizens of Antigo.

A further hearing in the matter was held at Antigo, Wisconsin, September 10, 1918, at which time *William B. Collins*, attorney, and *Walter J. Gallon*, manager, appeared

L. 85]

for the Antigo Telephone Corporation, and *F. J. Finucane*, for the city council and citizens of Antigo.

The Antigo Telephone Corporation operates a central energy board of 1,200 lines capacity. At the present time there are approximately 850 lines in use. The total local pole miles number 32, with 141 miles of wire and 7.5 miles of cable; the rural poles approximate 8 miles with 30½ miles of wire, while the toll circuits require 183 miles of wire and 58 miles of poles. Toll connections may be had over the company's own lines with Bass Lake, Bryant, Deerbrook, Elcho, Kempster, Mattoon, Kopenick, Elton, Phlox, Lily, Polar, White Lake and Summit Lake and with the long distance lines of the Wisconsin Telephone Company. In TABLE No. I. below, we show the classification of the lines and subscribers of the Antigo company with the percentage distribution to each class of service.

TABLE No. I.
LINE AND SUBSCRIBER DATA.

	Business				Residence				Rural	Miscellaneous Companies	Total Antigo Company	Switched	Local Toll	Long Distance Toll	Total
	One-party	Two-party	Extension	Total	Single-party	Two-party	Extension	Total							
Lines.....	248	.....	.....	248	.....	507	.....	507	7	6	708	38	8	9	*823
Per cent. of total.....	30.13	.....	.....	30.13	.....	61.61	.....	61.61	0.85	0.73	93.32	4.02	0.97	.09	*100
Subscribers.....	248	.....	54	302	.....	1,013	10	1,023	.74	.24	1,423	387	1,790	.....	.....
Per cent. of total.....	13.85	.....	3.02	16.87	.....	56.60	0.56	57.16	4.13	1.34	79.50	20.50	100	.....	.....

*An error is apparent.

PROPERTY.

The book value of the applicant's plant as reported on December 31, 1917, in its annual report to the Commission, was \$80,982.77, or a decrease over the first of the year of \$2,667.19. An inventory of the physical property as made by the firm of Hagenah and Erickson shows a reproduction value as of January 1, 1917, of \$85,036, and a reproduction value less depreciation of \$74,137. A general summary of this appraisal is set forth in the following table:

TABLE NO. II.

INVENTORY AND APPRAISAL OF THE PHYSICAL PROPERTY.

<i>Classification</i>	<i>Reproduction Cost New</i>	<i>Reproduction Cost Less Depreciation</i>
Land	\$2,000	\$2,000
Buildings	547	492
Central office equipment:		
Central office telephone equipment.....	10,711	9,493
Exchange furniture equipment.....	222	182
TOTAL CENTRAL OFFICE.....	\$10,933	\$9,675
Station equipment:		
Station apparatus and installation.....	\$11,106	\$9,006
Exchange pole lines	12,186	10,692
Exchange aerial cable	11,462	10,735
Exchange aerial wire	9,971	8,974
Rural lines:		
Antigo to Elcho	5,387	4,692
Antigo to Elton	3,673	2,993
Antigo to Mattoon	3,822	3,104
TOTAL RURAL	\$12,882	\$10,789
General equipment:		
Office furniture and fixtures.....	\$1,142	\$936
Motor vehicles	1,095	498
General tools and implements.....	85	51
TOTAL	\$2,322	\$1,485
TOTAL SPECIFIC CONSTRUCTION COST.....	\$73,409	\$63,848
Overhead allowances, 14 per cent.	10,277	8,939
Materials and supplies on hand.....	1,350	1,350
TOTAL PHYSICAL PROPERTY	\$85,036	\$74,137

The reproduction value as set forth in the above appraisal gives an average value of \$59.75 per telephone (excluding switched telephones); or \$103.32 per line equipped. These averages are considerably in excess of those determined by the Commission from valuations of several similar exchanges. The difference, however, may be due to the relatively large investment in local toll lines between Antigo and adjacent villages. Inasmuch as there is no division of the property between local, switched and toll, nor any division of the operating expenses, we shall consider the cost of the plant and the operating expense in their entirety.

The balance sheet setting forth the financial condition of the plant as of December 31, 1917, appears in TABLE NO. III.

TABLE NO. III.

COMPARATIVE GENERAL BALANCE SHEET, DECEMBER 31, 1917.

<i>Assets</i>		<i>Liabilities</i>	
Plant equipment.....	\$30,982 77	Capital stock.....	\$75,000 00
Securities	47,667 00	Funded debt	60,000 00
Cash	1,528 68		
Due from subscribers and agents.....	2,106 34	Accounts payable ...	2,050 00
Accounts receivable..	454 84	Accrued liabilities ...	3,082 60
Materials and sup- plies	672 83	Depreciation reserve.	3,196 20
Prepayments	722 32		
Other debit accounts.	2,100 00	Surplus (debit)	7,094 02
	<hr/>		<hr/>
	\$136,234 78		*\$136,234 78

* An error is apparent.

INCOME ACCOUNTS.

The income accounts of the Antigo Telephone Corporation and of its predecessor, the Antigo Telephone Company, are shown in TABLE NO. IV.

APPLICATION OF ANTIGO TELEPHONE CORPORATION. 499

L. 85]

TABLE No. IV.
INCOME ACCOUNTS.

	Year Ending December 31, 1914	Year Ending December 31, 1915	Year Ending December 31, 1916	Year Ending December 31, 1917.
Revenues:				
Exchange revenues.....	\$19,638 85	\$21,056 39	\$22,279 27	\$24,743 16
Toll revenues.....	3,843 05	3,665 82	5,015 23	5,185 43
TOTAL OPERATING REVENUES..	\$23,481 90	\$24,722 21	\$27,294 50	\$29,928 59
Operating Expenses:				
Maintenance:				
Supervision.....				\$668 88
Aerial plant.....	\$701 41	\$1,245 17	\$528 74	1,301 60
Underground plant.....		48		
Central office equipment.....	576 74	390 93	418 51	631 64
Station equipment.....	442 35	331 03	426 57	768 83
Buildings and grounds.....			24 84	612 61
TOTAL REPAIRS.....	\$1,720 50	\$1,967 61	\$1,898 66	\$3,983 61
Repairs charged renewals -- Cr.....				325 60
Current repairs.....	\$1,720 50	\$1,967 61	\$1,898 66	\$3,657 91
Station removals and changes.....		73 64	191 19	302 71
TOTAL CURRENT MAINTENANCE..	\$1,720 50	\$2,041 25	\$1,589 85	\$3,960 62
Traffic:				
Superintendence.....				545 62
Operators' wages.....	2,680 94	2,887 88	3,762 50	3,914 69
Transmission power.....	52 89	68 65	163 76	165 80
Other traffic expense.....	932 46	670 79	349 64	125 98
TOTAL TRAFFIC.....	\$3,666 29	\$3,627 32	\$4,275 90	\$4,752 09
Commercial:				
Administration.....		\$110 79	\$198 25	\$2,142 15
Advertising and canvassing.....	\$38 65	8 22	136 82	104 35
Accounting and collecting.....	25 79	117 07	427 84	1,219 64
Pay station commissions.....	26 75	47 68	17 32	42 00
Directory.....	105 17	268 04	174 44	102 50
Other commercial expense.....				15 00
TOTAL COMMERCIAL.....	\$196 36	\$551 80	\$954 67	\$3,625 64
General:				
Salaries.....	\$6,900 00	\$7,588 25	\$6,825 00	\$5,290 90
Expenses and supplies.....	566 35	282 50	132 15	152 60
Law expenses.....			10 00	100 00
Insurance.....	132 10	195 71	422 20	710 55
Accidents and damages.....				1 00
Other general expenses.....	333 60	810 48	1,223 50	413 08
TOTAL GENERAL.....	\$7,932 05	\$8,876 94	\$8,612 85	\$6,668 13
TOTAL ABOVE ITEMS.....	\$13,515 20	\$15,097 31	\$15,433 27	\$19,006 48
Depreciation.....	820 97		6,296 43	4,639 22
Taxes.....	596 77	741 44	667 19	1,005 00
TOTAL EXPENSES.....	\$14,932 94	\$15,838 75	\$22,396 89	\$24,650 70

The total reported operating expense (exclusive of depreciation and taxes) for the Antigo corporation for the year ending December 31, 1917, is \$19,006.48. In order to get the operating expenses upon a unit cost per telephone, we deduct from the above amount the estimated expense of operating the switching service, *viz.*, \$6.00 per telephone for 367 telephones, or \$2,202, leaving a net expense chargeable to local telephones of \$16,804.48. Upon the basis of 1,375 telephones reported in service at the end of the last fiscal year, the average operating expense is \$12.22 per telephone.

There are, however, in the reported operating expenses certain items to which the representative of the city has taken exception, and which in our opinion are not proper charges to operating expenses to be met by operating revenues. First, considering the item of general officers' salaries of \$7,500, which represents amounts of \$3,000 charged as manager's salary, \$3,000 as president's salary and \$1,500 as vice-president's salary, evidence introduced at the time of the hearing shows that the duties performed by the president and vice-president are not in proportion to the salaries charged, and we do not believe that these charges can in any way be justified. They will, therefore, be excluded from the operating expenses. As some time is, no doubt, spent by these officers in attending directors' meetings we will allow a nominal sum for such service, and we estimate that such amounts should not exceed \$15.00 per month, per directory, making a yearly allowance of \$360 in the operating expenses for such services.

The item of \$813, premium on a corporation life insurance policy on the life of the manager, has also been included by the applicant in the operating expenses. The beneficiary in the case is the Antigo Telephone Corporation and the policy is evidently for the protection of the interests of said corporation in case of the death of the manager. We do not believe that the Antigo plant is so different from other telephone plants as to necessitate a charge to subscribers on account of any such precaution

C. L. 85]

taken by the corporation in safeguarding its business. Should the corporation desire any such protection of its interests, we are of the opinion that it should be handled in such a way that the necessary expense should not be included in the expense of operation to be borne by subscribers. The annual premium of \$813 and \$4,140 for general officers' salaries will be excluded from the reported operating expenses. After making these adjustments and adding the \$2,202 chargeable to switching service, we have as the estimated operating expense for the year ending December 31, 1917, \$14,053.48.

We do not believe, however, that the applicant's plant can be efficiently operated in 1918 on the amount just set forth. Material increases in the costs of both labor and materials have had to be met during the present year. In June it became necessary to materially increase the operators' salaries in order to prevent a serious interruption of the service. This increase alone on the basis of the salaries paid operators during the year 1917, will amount to approximately \$1,600. In addition it seems to have been necessary to also increase the number of operators in order to give adequate service as demanded by the applicant's subscribers. We estimate as a result of these conditions that the operators' salaries will necessitate an expenditure of \$6,000 annually. Other department salaries will also have to be increased in all probability. After carefully considering these probable increases, and the present high cost of all materials entering into the operation and maintenance of a telephone plant, such as that operated by the applicant, we conclude that the service can not be adequately given and the plant property maintained for a less unit sum than \$13.50 per telephone. The total operating expense assignable then to the Antigo exchange upon this basis is about \$18,563.

DEPRECIATION AND INTEREST.

In estimating the annual amount necessary for an adequate depreciation reserve, we have based our computations

upon average normal lives for the different items of property and a 2 per cent. sinking fund basis. Inasmuch as the Antigo plant includes no buildings or underground construction, the rate for depreciation on the total reproduction cost of the property is slightly higher than the average and amounts to 6.15 per cent. on the total, or \$5,232. Computing interest upon a fair value of the property, we have a charge for this purpose equivalent to \$6,800.

Summarizing the total requirements for operating expenses, interest and depreciation, we have:

Total operating expenses.....	\$18,563
Depreciation requirements	5,232
Interest requirements	6,800
TOTAL ABOVE	\$30,595
State tax	767
Federal tax estimates	300
TOTAL ESTIMATED EXPENSE.....	\$31,662
Less switching service earnings.....	2,202
Less toll service earnings.....	5,200
TOTAL TO BE MET BY LOCAL SUBSCRIBERS.....	\$24,260

From the preceding statement it will be noted that we estimate a total of \$24,260 as directly chargeable to the local subscribers. In determining a schedule of rates that will yield this amount of revenue, it is first necessary to make an estimate of the probable distribution of the subscribers.

The following TABLE No. V. shows the distribution of subscribers as estimated by the applicant if a schedule of rates is authorized permitting of the classes of service as enumerated:

TABLE NO. V.
PRESENT AND ESTIMATED DISTRIBUTION OF SUBSCRIBERS.

Distribution	Business One- party	Business Two- party	Business Extension	Residence One- party	Residence Two- party	Residence Four- party	Residence Extension
Present.....	248	.....	54	?	1,013	.....	10
Per cent.....	18.7	.....	4.1	.....	78.5	.....	0.7
Estimate by applicant	75	173	54	10	500	503	10
Per cent.....	5.7	13.1	4.1	0.7	37.7	38.0	0.7

We cannot agree, however, with the applicant's estimate of the distribution of subscribers. A situation somewhat similar to the one at hand arose in the *Application of the Marshfield Telephone Company for Authority to Increase Rates*,* 19 W. R. C. R. 315-327. In this case it was alleged by the applicant that the authorization of certain cheaper classes of service together with a general increase in rates would tend to cause many subscribers to take the cheaper classes of service. Tables were produced in that decision showing the distribution of subscribers for Class A-B companies, the Bell exchanges, the company's estimates of distribution, the Commission's estimate, and the actual distribution existing at that time. We reproduce the percentages of these various distributions, and have added the actual distribution of the Marshfield exchange subscribers on December 31, 1917, seven months after the date of the decision.

TABLE NO. VI.
DATA ON SUBSCRIBER DISTRIBUTION.

Percentage Distribution of Local Subscribers In Terms of Total Subscriber						
	Class A-B Companies	Bell Companies	Marshfield Actual May 26, 1917	Estimated Distribution by Marshfield Company	Estimated by the Com- mission	Actual Distribution Marshfield December 31, 1917
Business, one-party.....	14.5	12.0	25.0	10.0	18.0	15.9
Business, two-party.....	6.5	8.0	5.0	13.0	8.0	9.7
Business, four-party.....	3.5	3.2	.....	.....	.....	.....
Business, miscellaneous.....	5.0	5.3	.....	.....	.....	.....
Residence, one-party.....	18.0	9.5	42.0	11.0	15.0	24.0
Residence, two-party.....	21.0	34.0	12.0	17.5	19.0	21.5
Residence, four-party.....	29.0	25.0	.....	32.5	24.0	12.9
Residence, miscellaneous.....	2.5	3.0	.....	.....	.....	.....

* See Commission Leaflet No. 67, p. 192.

The above table shows that the actual redistribution of the residence subscribers at Marshfield under the schedule of rates authorized by the order of May 26, 1917,* is just the reverse of what might be expected from a study of the average distribution in other companies. It would appear that there is a tendency on the part of the subscribers as a whole to retain the class of service to which they have been accustomed, even though there may be a material increase in rates. Under the present rulings of the Federal Government, it becomes almost an economic necessity for a subscriber to retain the same class of service and, as a result, we do not look for any decided change from one class of service to another at the Antigo exchange.

We estimate, in the following tabulation, the probable final distribution of the Antigo subscribers under normal conditions, and have applied thereto a schedule of rates which we believe will produce annual revenues sufficient to meet the necessary operating expenses and the fixed charges of the Antigo plant.

<i>Classification of Subscribers</i>	<i>Number of Subscribers</i>	<i>Net Monthly Rate</i>	<i>Yearly Estimated Revenues</i>
Business, one-party	165	\$2 50	\$4,950
Business, two-party	83	2 25	2,241
Business extension	54	60	389
Residence, one-party	102	1 75	2,142
Residence, two-party	658	1 50	11,844
Residence, four-party	253	1 15	3,491
Residence extension	10	50	60
Rural, residence	74	1 50	1,332
Charitable institutions	17	1 25	255
Private line	1	30 00	360
Miscellaneous revenue			90
TOTAL LOCAL REVENUES.....			\$27,154
Switching service revenues....	367	50	2,202
Toll service revenues.....			5,200
TOTAL ESTIMATED REVENUES.....			\$34,556

* See Commission Leaflet, No. 67, p. 192.

C. L. 85]

The above schedule of rates when applied to a distribution of subscribers as set forth in our classification will yield revenues in excess of the estimated expense by about 9 per cent. Under a normal distribution of its subscribers such an excess of revenues over operating expenses might not be justifiable. But under the prevailing conditions at the applicant's plant, with a possible redistribution of subscribers to cheaper classes of service, we believe that such a factor of safety is permissible, and the schedule will be authorized as stated above, with the addition of certain minor additions, some as requested by the applicant and others as recommended by the Commission.

The applicant seeks to apply its rural rate to only such subscribers as reside within a 5-mile radius of its central office, and to apply an excess radius charge to all subscribers residing beyond that distance.

We do not believe that such a limitation would tend to the best development of the applicant's rural business, nor that a 5-mile radius marks the limit of that territory which is naturally tributary to Antigo and that which the telephone company as a utility should aid in developing. This part of the petition is therefore denied.

It is, therefore, ordered, That the applicant, the Antigo Telephone Corporation, be, and the same hereby is, authorized to discontinue its present schedule of rates and to substitute therefor the following rates and charges:

Local Exchange Rates.

	<i>Gross Monthly Rate (Wall or Desk)</i>	<i>Net Monthly Rate (Wall or Desk)</i>
Business, one-party service	\$2 75	\$2 50
Business, two-party (selective)	2 50	2 25
Business extension telephone.....	60	60

Plus 25 cents per one-eighth mile, or fraction thereof, of line where extension is outside of premises where main telephone is located.

Business receiving line	\$1 25	\$1 25
-------------------------------	--------	--------

	<i>Wall Sets Only</i>	<i>Wall Sets Only</i>
Residence, one-party service	\$2 00	\$1 75
Residence, two-party (selective)	1 75	1 50
Residence, four-party (semi-selective) ...	1 40	1 15
Residence extension telephone	50	50

Plus 25 cents per one-eighth mile or fraction thereof, where extension is outside of premises where main telephone is located.

In all cases where residence desk telephones are installed, the rates shall be 10 cents per month in excess of the rate as above stated.

Rural Lines.

	<i>Gross Desk Set Only</i>	<i>Net Desk Set Only</i>
Residence telephones	\$1 75	\$1 50
Business telephones	2 00	1 75
Switching service	50	50

Charitable Institutions.

The rate for this class of service shall be the same as that of the corresponding rate in residence service.

The above service shall apply to churches, public libraries, public and parochial schools, and such public and private halls, organizations and societies as are not in any way operated for profit.

Rates for Miscellaneous Equipment.

	<i>Per Month, Net</i>
Ordinary extension bells with switch.....	\$0 15
Four or six inch extension bells with switch.....	25
Auxiliary receiver	10
Joint user rate	1 00
Additional directory listing for same subscriber.....	25

Moving Charges.

Outside move of telephone instrument from one building apartment or office to another.....	\$2 00
Inside move of telephone instrument from one part of the same premises to another.....	1 00

For changes in switchboard wiring and office records made necessary by a move of a subscriber and no suspension of service, no charge, providing such change is not made more than once per year. For changes in excess of one year, the regular outside move rate shall apply.

Cancellation Charges.

Fifty cents per month for the unexpired part of the first year's contract only.

Private Branch Exchange Rates.

<i>Cordless Switchboard:</i>	<i>Per Month</i>
Board equipped with 2 trunks and 5 lines.....	\$3 00
First talking trunk	2 50
Second talking trunk	2 25
Generator circuit	1 00
Each station within building.....	80
Each station outside building.....	60

Plus 25 cents per month for each one-eighth mile of line or fraction thereof.

<i>Switchboard Requiring Operator:</i>	<i>Per Month</i>
Board equipped with 5 trunks and 30 lines.....	\$7 00
Board equipped with 3 trunks and 15 lines.....	5 00
First talking trunk to either board.....	2 50
Second talking trunk to either board.....	2 25
Receiving trunk to either board.....	2 25
Each subsequent trunk to either board.....	2 25
Generator circuit to either board.....	1 00
Each station to either board.....	60

Plus 25 cents per one-eighth mile or fraction thereof on lines to telephones outside of building.

The above P. B. X. rates apply to exchanges within one and one-half miles of the central office. Beyond this distance there is to be an excess of charge of 50 cents per month per one-fourth mile or fraction thereof. All rates are net and carry a penalty of 25 cents per month, per trunk, if not paid on or before the fifteenth day of the month in which service is being given.

The gross rate shall likewise apply on all exchange rentals paid after the fifteenth day of the month in which service is given.

This order may become effective November 1, 1918.

Dated at Madison, Wisconsin, this first day of November, 1918.

CANADA.

Board of Railway Commissioners.

In re APPLICATION OF THE BELL TELEPHONE COMPANY OF CANADA, UNDER SECTIONS 247-248 OF THE RAILWAY ACT, AND AMENDMENTS THERETO, FOR AN ORDER ALLOWING IT TO EXERCISE ITS POWERS OF CONSTRUCTING, MAINTAINING AND OPERATING ITS LINES INSTALLED IN AND BY UNDERGROUND CONDUIT IN THE CITY OF LONDON, ONTARIO.*

File No. 28948.

Decided November 13, 1918.

In Granting Authority to Construct, Maintain and Operate Lines in City, Board is Without Power to Provide for Compensation to City for the Use of its Streets.

JUDGMENT.

Application is made by The Bell Telephone Company of Canada to the Board for an order, under Sections 247 and 248 of the Dominion Railway Act and amendments thereto, allowing said company to exercise its powers of constructing, maintaining and operating its lines of telephone installed in and by underground conduit in the following location in the city of London, Province of Ontario, viz.: on Talbot street, commencing at the company's manhole located at the intersection of Talbot and Dundas streets, in the city of London, and running south approximately 150 feet to the first laneway off Talbot street running east.

As bearing on the merits of the application, The Bell Telephone Company states that at present its subscribers in the vicinity of the proposed work are furnished service by aerial construction on Market Square, and that the application to the city of London was for the purpose of placing

* Same case in reports of the Board of Railway Commissioners for Canada, Vol. VIII., No. 18, p. 426, December 1, 1918.

C. L. 85]

an underground branch in the lane, prior to permanent paving being done; and that the installation of the branch line in question will do away with the at present existing aerial construction.

Application in this matter was made to the city by The Bell Telephone Company for permission to install the work in question, said application being made by the telephone company under date of August 8, 1918. The city, under date of August 20, notified The Bell Telephone Company that it was willing to grant the request, subject to the supervision of the city engineer and the Utilities Commission and without prejudice to any special claim, and subject to the terms of the resolution referred to as being on pages 156 and 166 of the council minutes. Said resolution refers to a charge by way of compensation for the use of the said streets.

The Bell Telephone Company's application to the Board, already referred to, is launched because the company is unwilling to take the permission of the city on the terms as to compensation attached to it. The answer of the city to the application of The Bell Telephone Company as made to the Board reads as follows:

"In the Matter of the Application, File No. 28948, of The Bell Telephone Company of Canada for an Order Allowing it to Exercise its Powers of Constructing, Maintaining and Operating its Lines of Telephone Installed in and by Underground Conduits in the City of London, Ont.

The city of London, in answer to the said application, states:

(1) That the council of the corporation of the city of London, on the fifteenth day of April, 1918, adopted the following motion, viz.:

'That the corporation of the city of London proposes to charge and will charge the said company with an annual rental or sum for the use and occupation by the said company of the portion of the highways in the said city of London upon which the poles of the said company are, or shall be erected, and in which the wires or conduits of the said company are, or shall be, carried in the said city of London during the year 1918; that the said charge for the said poles shall be computed on the basis of 25 cents per month for each portion of a public highway in the said city of London upon which a pole of the said company is, or shall be, erected during the said year; that the said charge for the said wires or conduits of the said company in the said highways in which the wires of the said

company are, or shall be, carried during the said year be 25 cents per month for each 100 lineal feet of conduit containing or capable of containing 50 wires or less; and that in the event of the charges for the portion of the highway occupied by said poles and by the said wires or conduits not amounting in the said year to the sum of \$5,000, the charge shall be the sum of \$5,000; and that the said charges shall be payable half-yearly in advance from the first day of January, 1918, the first payment to be computed from the first day of January, 1918, and to be payable immediately after the giving of the said notice, and the next payment to be due and payable on the first day of July, 1918.

That in the event of The Bell Telephone Company of Canada not promptly paying the rental or charges fixed by resolution of the council of the corporation of the city of London this day, the clerk of the corporation of the city of London be, and he is hereby, instructed to notify the said company that legal proceedings will be taken to collect the same.'

(2) That on August 20, 1918, the corporation of the city of London granted the request of The Bell Telephone Company for permission to open up Talbot street, south from their manhole at Dundas street to the first laneway running east, subject to the terms of the resolution passed on the fifteenth day of April above recited.

(3) It appears to us that the only issue is the constitutional right of the corporation of the city of London to equitable consideration for value given to the company in the matter of real estate used for revenue purposes.

(4) That the corporation of the city of London, submits that The Bell Telephone Company is not an eleemosynary institution; and its use of the conduits in question will be for commercial purposes, securing revenue to the company from citizens of London, through its operation.

(5) The corporation of the city of London further submits that the lane and highway, in which it is proposed to place the conduits, is wholly within the jurisdiction of this corporation.

(6) The corporation of the city of London claims a constitutional and inalienable right to demand, and to receive, an equitable consideration for the value of real estate, which is the property of this municipality, required for commercial purposes, such as conduits and poles, by The Bell Telephone Company.

(7) That the corporation of the city of London submits that the resolution recited in Clause 1 hereof is a reasonable and fair resolution for consideration, and further begs to submit that its enforcement is, in no sense, beyond the constitutional and inalienable rights of this municipality, nor is it a violation of any legitimate rights of The Bell Telephone Company.

(8) Attached hereto is a copy of a resolution adopted by the Ontario Municipal Association in Toronto on August 30, 1918.

C. L. 85]

The corporation of the city of London respectfully submits that the company has no ground for making such application as is embodied in its communication to your Board on October 8, and is not entitled to any relief such as it requests your Board to order on its behalf."

It appears that there is no question as to the merits of the work. The only material point outstanding is as to the right of compensation. The method of supervision of the construction of the work is subject to an apparently minor exception on the part of The Bell Telephone Company.

In the correspondence between the city and The Bell Telephone Company, antedating the application of the latter party to the Board, the city provided that the work should be

"subject to the supervision of the city engineer and the Utilities Commission and without prejudice to any special claim."

This is not recited in the answer as filed with the Board and above set out. The telephone company, in its application to the Board, in dealing with the question of supervision uses the following language:

"In so far as the other conditions are concerned, we are required in any event to do our work under the supervision of the city engineer, or other duly appointed official, and we cannot do other than to perform this work, without prejudice to any claim which the city may have. We do not understand what constitutes the supervision of the Utilities Commission, but we do consider ourselves subservient to no official or corporate body other than those specifically mentioned in the Statutes, to whose terms we are subject."

The city, in support of its opposition to the application as launched by the telephone company, files a by-law of the city of Three Rivers, which deals with a tax which is apparently imposed upon each and every pole of The Bell Telephone Company in that city. The conditions under which this tax is imposed are not developed, nor is it indicated how the fact that a tax is paid in this instance has any bearing on the powers of the Board under Sections 247 and 248 of the Railway Act.

The resolution of the Ontario Municipal Association which the city of London files, and which is therefore regarded as material to its presentation of the case, takes the position, in substance, that existing legislation is defective in that it does not provide that there shall be compensation. The material portion of the resolution so far as this phase of the matter is concerned reads

" * * * * * this 1918 convention of the Ontario Municipal Association, reaffirms its resolution on record, adopted at its annual convention in 1917, in regard to this matter and again requests ' the Dominion Government to have such legislation enacted as will define the absolute right of the municipal councils to control their streets for local services and compel *The Bell Telephone Company of Canada to pay every municipality whose streets they use such terms as may be agreed upon between them,* or in the absence of such agreement such sum as the honourable the Board of Railway Commissioners for Canada shall fix and determine.' "

The Board in the application of the *City of Windsor v. The Bell Telephone Company*,* Board's File 28207, decided that the Board was without power to make compensation a term of the order. The matter was also gone into in the case of *The Bell Telephone Company v. The City of Ottawa*,† Board's File 20191.2. In this application was involved the question of certain rearrangements of The Bell Telephone Company's lines in the city of Ottawa by underground construction. The real objection to what was proposed was based on the ground that the telephone company was seeking to carry on its work without paying for the use of the city's highways. The city solicitor in putting forth his contention used the following language:

" We are in the position that we are owners in freehold of this property which this company asks the right to use for their own purposes. This is not a question of conflict between provincial and Dominion jurisdiction or severance of powers or anything of that kind. There is no doubt about the complete rights which the Province has to establish municipalities and confer powers upon them, and one of the powers which it

* See Commission Leaflet No. 76, p. 889.

† See Commission Leaflet No. 75, p. 585.

C. L. 85]

has given them, broader than the powers which used to obtain, is complete ownership in the highways."

The city of London in its answer submits

"that the company has no ground for making such application * * * and is not entitled to any relief such as it requests your Board to order on its behalf."

It was pointed out in the *Ottawa City Case* that where the matter of construction, maintenance or operation of a line of telephone upon, along, across, or under a highway had been taken up with a municipality in the first instance and that its consent could not be obtained

"otherwise than subject to conditions not acceptable to the company"

an application might be made by the company to the Board. That is to say, the right of the company to make just such an application as is herein involved is specifically covered by the Railway Act.

The decision of the Board in the *Ottawa City Case* that no power was conferred upon the Board to make compensation a term of the order applies here.

Some portions of what has been set out while material to the history of the application are not material as bearing on the interpretation of the Section. The question of whether the Railway Act should be so worded as to maintain the rights above referred to is one on which Parliament has the final authority to speak. The Board's function is to interpret and administer the Act as it finds it. This is a proposition so elementary that it is often forgotten.

The parties being agreed on the merits, the order may go. There is apparently no real difficulty as to the method of supervision suggested. If, however, any question does arise, the matter will, on notification to the Board, be dealt with by the Board's electrical engineer.

The Chief Commissioner and Commissioner Boyce concurred.

November 13, 1918.

ONTARIO.

The Railway and Municipal Board.

In re APPLICATION OF H. C. LAYMAN, TRADING AS THE SOUTH
GOSFIELD TELEPHONE COMPANY, ETC.

P. F. 4790.

Decided October 1, 1918.

**Increase in Rate Authorized, Subject to Contract With, or By-law of,
Township — 5 Per Cent. Fixed for Reserve for Depreciation
— Method of Handling Reserve for Depreciation
Prescribed.**

ORDER.

Upon the application of the above named applicant, upon hearing the evidence adduced on behalf of all parties, upon reading statement of assets and liabilities, receipts and disbursements, and other material filed,

The Board orders, Subject to the several conditions prescribed in this order, that the application of the above named applicant be, and the same is hereby, approved in so far as the increased tariff charge of \$15.00 per annum may be applicable to those subscribers who are resident in any township where such tariff charge is not inconsistent with any by-law in force in any such township or with the terms of any valid agreement between any such township and the applicant.

And the Board further orders

1. That, for the purpose of providing a fund to meet the cost of the renewal of its plant and equipment, the applicant shall on December 31, 1918, and each year thereafter, set aside out of its earnings a sum equal to not less than 5 per cent. of the total value of the plant and equipment used in the applicant's business on December 31 in each such year. The fund so provided shall be applied exclusively to the cost of renewing such portion of the said plant and equipment as may

C. L. 85]

from time to time be rendered necessary by depreciation or obsolescence, and after deducting therefrom such amounts as may have been so expended in any one year the residual amount shall be placed on deposit in a chartered bank, as a separate account, or may be temporarily used in the purchase of such securities as the Board may approve of until the exigencies of the applicant's business renders necessary the application, as aforesaid, of such fund or any portion thereof.

2. That the applicant shall, on or before the fifteenth day of January in each year, furnish the Board with a report setting forth: (a) the total amount standing at the credit of the fund referred to in Clause 1 hereof on the thirty-first day of December in the preceding year; (b) the amount of such fund which has been temporarily used in the purchase of securities; (c) the names and values of the securities so purchased, together with (d) a certified statement from the bank in which the fund is deposited, showing the amount standing at the credit of such fund on the last named date.

3. That the applicant shall keep in such form as the Board may approve separate records of all expenditures upon the construction, operation, maintenance and renewal of its plant and equipment, and shall furnish such information in regard thereto as the Board may deem necessary in order to satisfy the Board that the provisions of the two next preceding clauses are being carried out.

*The Board makes no order for costs, save and except that the applicant shall pay \$10.00 for the law stamps required for this order.**

October 1, 1918.

* The Railway and Municipal Board also entered the following similar orders, each of which provided for an increase in rates and a reserve for depreciation of 5 per cent.:

In re Application of The Yarmouth Rural Telephone Company, Limited, for Authority to Increase Charges, P. F. 4860, October 9, 1918;

In re Application of The Byron Telephone Company, Limited, etc., P. F. 4825, October 9, 1918;

In re Application of P. F. Quinlan, Esq., M. D., for Authority to Increase his Charge for Telephone Service, P. F. 4982, October 26, 1918.

THE COMMISSIONERS FOR THE TELEPHONE SYSTEM OF THE
MUNICIPALITY OF CRAMAHE *v.* THE COMMISSIONERS FOR
THE TELEPHONE SYSTEM OF THE MUNICIPALITY OF PERCY.

P. F. 4934.

Decided October 9, 1918.

**Reversal of Toll Charges Ordered — Division of Rate Made upon same
Basis as if Calls were not Reversed — Toll Rates Prescribed.**

ORDER.

Upon the application of the above named applicants and respondents, and upon hearing the evidence adduced on behalf of the applicants and respondents,

The Board orders

1. That the toll charge to the subscribers of the telephone system of the applicants and respondents for each conversation of three minutes' duration, originating upon the circuits of the applicants' telephone system which are connected upon the switchboard at Castleton, and terminating upon circuits of the respondents' telephone system which are connected upon the switchboard at Warkworth, shall be 5 cents.

2. That the toll charge to the subscribers of the telephone systems of the applicants and respondents for each conversation of three minutes' duration, originating upon the circuits of the respondents' telephone system which are connected upon the switchboard at Warkworth, and terminating upon the circuits of the applicants' telephone system which are connected upon the switchboard at Castleton, shall be 5 cents.

3. That for each conversation provided for in Paragraphs 1 and 2 hereof which exceeds three minutes' duration there shall be an additional charge of 2 cents per minute for each minute in excess of three minutes.

4. That the applicants and respondents shall, when requested so to do by the subscribers of the system upon which the conversation terminates, reverse the charge for

(C. L. 85]

such conversation, in which event the Commissioners for the said system shall collect the charge for such conversation at the rates provided herein and shall remit to the Commissioners of the system upon which the conversation originates such portion of such charge as would have accrued to the later system if such conversation had been originated by a subscriber to the last named system.

The Board makes no order for costs, save and except that the respondent shall pay \$10.00 for the law stamps required for this order.

October 9, 1918.

In re APPLICATION OF THE DUNSFORD TELEPHONE, LIGHT AND POWER COMPANY, LIMITED, FOR AUTHORITY TO INCREASE CHARGES.

P. F. 4932.

Decided October 26, 1918.

Increase in Rural Party Line Rates Authorized, Subject to Existing Contracts — Collection of " Proprietor's " or " Other Line " Charges upon Toll Messages Ordered Discontinued —
5 Per Cent. Fixed for Reserve for Depreciation.

ORDER.

Upon the application of the above named applicant, upon hearing the evidence adduced on behalf of all parties, upon reading statement of assets and liabilities, receipts and disbursements, and other material filed,

The Board orders, That the applicant, The Dunsford Telephone, Light and Power Company, Limited, be authorized to charge the following rates for telephone service:

<i>For Rural Party Line Service:</i>	<i>Per Annum</i>
To each subscriber whose line terminates upon the switch-board of the applicant at Dunsford.....	\$12 50
To each subscriber whose line terminates upon the switch-board of The Bell Telephone Company of Canada, Limited, at Bobcaygeon	14 50

And the Board further orders

1. That the aforesaid increased tariff charges to subscribers whose lines terminate upon the switchboard of The Bell Telephone Company of Canada, Limited, at Bobcaygeon, shall be subject to the terms of any contracts which may exist between the said subscribers to the applicant's system and the applicant, and shall only take effect upon the expiration of such contracts as they may be terminated from time to time.

2. That the applicant shall not charge or collect any Other Line or Proprietor's charge upon long distance conversations or messages originating or terminating upon the system of the applicant.

3. That, for the purpose of providing a fund to meet the cost of the renewal of its plant and equipment, the applicant shall on December 31, 1919, and each year thereafter, set aside out of its earnings a sum equal to not less than 5 per cent. of the total value of the plant and equipment used in the applicant's business on December 31 in each such year. The fund so provided shall be applied exclusively to the cost of renewing such portion of the said plant and equipment as may from time to time be rendered necessary by depreciation or obsolescence, and after deducting therefrom such amount as may have been so expended in any one year the residual amount shall be placed on deposit in a chartered bank, as a separate account, or may be temporarily used in the purchase of such securities as the Board may approve of until the exigencies of the applicant's business renders necessary the application, as aforesaid, of such fund or any portion thereof.

4. That the applicant shall, on or before the fifteenth day of January in each year, furnish the Board with a report setting forth: (a) the total amount standing at the credit of the fund referred to in Clause 3 hereof on the thirty-first day of December in the preceding year; (b) the amount of such fund which has been temporarily used in the purchase of securities; (c) the names and values of the securities so

L. 85]

purchased, together with (d) a certified statement from the bank in which the fund is deposited, showing the amount standing at the credit of such fund on the last named date.

5. That the applicant shall keep in such form as the Board may approve separate records of all expenditures upon the construction, operation, maintenance and renewal of its plant and equipment, and shall furnish such information in regard thereto as the Board may deem necessary in order to satisfy the Board that the provisions of the two next preceding clauses are being carried out.

The Board makes no order for costs, save and except that the applicant shall pay \$10.00 for the law stamps required for this order.

October 26, 1918.

In re APPLICATION OF THE DUNWICH AND DUTTON TELEPHONE COMPANY, LIMITED, ETC.

P. F. 4980.

Decided October 26, 1918.

Increase in Rural Party Line Rates Authorized — Discrimination in Favor of Stockholders Eliminated — Company Ordered to Discontinue Penalties for Breach of Rules and Regulations — 5 Per Cent. Fixed for Reserve for Depreciation — Collection of "Other Line" or "Proprietor's" Charge on Toll Messages Ordered Discontinued — Method of Handling Reserve for Depreciation Prescribed.

ORDER.

Upon the application of the above named applicant, upon hearing the evidence adduced on behalf of all parties, upon reading statement of assets and liabilities, receipts and disbursements, and other material filed,

The Board orders, That the applicant, The Dunwich and Dutton Telephone Company, Limited, be authorized to charge the following rates for telephone service:

<i>For Rural Party Line Service:</i>	<i>Per Annum</i>
To each subscriber who furnishes his own telephone.....	\$11 25
To each subscriber for whom the company furnishes the entire equipment	17 50

These charges to be subject to a discount of 20 per cent. on all amounts paid within sixty days from the date of rendering the account for same.

And the Board further orders

1. That the applicant shall not charge or collect any Other Line or Proprietor's charge upon long distance conversations or messages originating or terminating upon the system of the applicant.

2. That the applicant shall discontinue the practice of imposing and collecting penalties upon its subscribers for alleged breaches of applicant's rules and regulations.

3. That, for the purpose of providing a fund to meet the cost of the renewal of its plant and equipment, the applicant shall on December 31, 1919, and each year thereafter, set aside out of its earnings a sum equal to not less than 5 per cent. of the total value of the plant and equipment used in the applicant's business on December 31 in each such year. The fund so provided shall be applied exclusively to the cost of renewing such portion of the said plant and equipment as may from time to time be rendered necessary by depreciation or obsolescence, and after deducting therefrom such amounts as may have been expended in any one year the residual amount shall be placed on deposit in a chartered bank, as a separate account, or may be temporarily used in the purchase of such securities as the Board may approve of until the exigencies of the applicant's business renders necessary the application, as aforesaid, of such fund or any portion thereof.

4. That the applicant shall, on or before the fifteenth day of January in each year, furnish the Board with a report setting forth: (a) the total amount standing at the credit of the fund referred to in Clause 3 hereof on the thirty-first day of December in the preceding year; (b) the amount of such fund which has been temporarily used in the purchase of securities; (c) the names and values of the securities so

L. 85]

purchased, together with (d) a certified statement from the bank in which the fund is deposited, showing the amount standing at the credit of such fund on the last named date.

5. That the applicant shall keep in such form as the Board may approve separate records of all expenditures upon the construction, operation, maintenance and renewal of its plant and equipment, and shall furnish such information in regard thereto as the Board may deem necessary in order to satisfy the Board that the provisions of the two next preceding clauses are being carried out.

And the Board makes no order for costs, save and except that the applicant shall pay \$10.00 for the law stamps required for this order.

October 26, 1918.

***In re APPLICATION OF THE BURNT RIVER TELEPHONE COMPANY, LIMITED, FOR AUTHORITY TO INCREASE CHARGES.
P. F. 5001.***

Decided October 26, 1918.

Increase in Rural Party Line Rates Authorized — Collection of Proprietor's Charge on Toll Messages Authorized — 5 Per Cent.

**Fixed for Reserve for Depreciation — Method of
Handling Reserve for Depreciation Prescribed
— Reports on Long Distance Mes-
sages Ordered Filed.**

ORDER.

Upon the application of the above named applicant, upon hearing the evidence adduced on behalf of all parties, upon reading statement of assets and liabilities, receipts and disbursements, and other material filed,

The Board orders, That the applicant, The Burnt River Telephone Company, Limited, be authorized to charge the following rates for telephone service:

<i>For Rural Party Line Service:</i>	<i>Per Annum</i>
To each subscriber who furnishes his own telephone.....	\$10 00
To each subscriber for whom the company furnishes the entire equipment	14 00

And the Board further orders

1. That the applicant shall charge and collect upon each long distance conversation and message originating upon the applicant's system the Proprietor's charge of 15 cents provided for in Clause 8 of the connecting agreement between The Bell Telephone Company of Canada, Limited, and The Burnt River Telephone Company, Limited, dated September 16, 1914.

2. That applicant shall, not later than April 30, July 31, October 31, 1918, and February 1, 1919, file with the Board a statement showing the number of long distance conversations and messages originating and terminating upon the applicant's system during the three months preceding the month in which such statement is prepared, and stating the total amount charged and collected by the applicant in payment of the Proprietor's charge upon such long distance messages.

3. That, for the purpose of providing a fund to meet the cost of the renewal of its plant and equipment, the applicant shall on December 31, 1919, and each year thereafter, set aside out of its earnings a sum equal to not less than 5 per cent. of the total value of the plant and equipment used in the applicant's business on December 31 in each such year. The fund so provided shall be applied exclusively to the cost of renewing such portion of the said plant and equipment as may from time to time be rendered necessary by depreciation and obsolescence, and after deducting therefrom such amounts as may have been so expended in any one year the residual amount shall be placed on deposit in a chartered bank, as a separate account, or may be temporarily used in the purchase of such securities as the Board may approve of until the exigencies of the applicant's business renders necessary the application, as aforesaid, of such fund or any portion thereof.

4. That the applicant shall, on or before the fifteenth day of January in each year, furnish the Board with a report setting forth: (a) the total amount standing at the

. L. 85]

credit of the fund referred to in Clause 3 hereof on the thirty-first day of December in the preceding year; (b) the amount of such fund which has been temporarily used in the purchase of securities; (c) the names and values of the securities so purchased, together with (d) a certified statement from the bank in which the fund is deposited, showing the amount standing at the credit of such fund on the last named date.

5. That the applicant shall keep in such form as the Board may approve separate records of all expenditures upon the construction, operation, maintenance and renewal of its plant and equipment, and shall furnish such information in regard thereto as the Board may deem necessary in order to satisfy the Board that the provisions of the two next preceding clauses are being carried out.

The Board makes no order for costs, save and except that the applicant shall pay \$10.00 for the law stamps required for this order.

October 26, 1918.

44.05
95
-7c

FEB 24 1919

American Telephone and Telegraph Company
— Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 86

**Recent Commission Orders, Rulings and Decisions
from the following States:**

California	Nebraska
Illinois	New Hampshire
Indiana	New Jersey
Kansas	New York
Kentucky	Ohio
Maine	Oregon
Massachusetts	Rhode Island
Michigan	South Dakota
Missouri	Wisconsin

and
from
Canada

FEBRUARY 1, 1919

CALIFORNIA.

Railroad Commission.

In re APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, SACRAMENTO VALLEY TELEPHONE COMPANY, THE HOME TELEPHONE AND TELEGRAPH COMPANY OF PASADENA, ONTARIO AND UPLAND TELEPHONE COMPANY AND SOUTHERN CALIFORNIA TELEPHONE COMPANY FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4091 — Decision No. 5927.

Decided November 19, 1918.

**Installation and Moving Charges Established by Postmaster General
Authorized to Become Effective Temporarily, in View of War
Conditions.**

OPINION AND ORDER.

The Pacific Telephone and Telegraph Company, Sacramento Valley Telephone Company, The Home Telephone and Telegraph Company of Pasadena, Ontario and Upland Telephone Company and Southern California Telephone Company filed herein their joint application asking this Commission to make an *ex parte* order approving an order made by the Postmaster General of the United States effective September 1, 1918, known as Bulletin No. 5 (Order No. 1931), which order is as follows:

"Owing to the necessity for conserving labor and material and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installations; also a charge for all changes in location of telephones.

Installation charges to be as follows:

Where the rate is \$2.00 a month or less.....	\$5 00
Where the rate is more than \$2.00, but not exceeding \$4.00 a month	10 00
Where the rate is more than \$4.00 a month.....	15 00

The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change.

In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that 'until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels,' in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible. In all cases, however, where rates are changed, such changes should be submitted to me for approval before being placed in effect."

and which order was thereafter, to-wit, on September 14, 1918, by supplementary Bulletin No. 8 of the Postmaster General modified.

On August 12, 1915, the Railroad Commission made its order and decision No. 2689* establishing eighteen rules to be followed by water, gas, electric and telephone utilities in the matter of service charges, service connections and extensions. The order provided that it should become effective on October 11, 1915.

Prior to October 11, 1915, a number of petitions for rehearing were filed, and thereafter an order No. 2879† was made on petition for rehearing, which last order† became effective on December 1, 1915.

In the proceedings last referred to, the Commission made a most comprehensive and thorough investigation and inquiry into the matter of service charges, service connections and extensions. Many public hearings had been had, exhibits filed, and interested parties of the utilities and representatives of consumers and patrons presented very fully their views. In addition thereto, the different departments of the Commission made separate investigations and reports pertaining to the inquiry.

Little or no complaint has been had from any source since the inauguration of the rules provided for by said decision†, and it is the opinion of the Commission that practically all of the difficulties which said decision† aimed to correct were corrected thereunder.

* See Commission Leaflet No. 49, pp. 287, 333.

† See Commission Leaflet No. 49, pp. 327, 333.

C. L. 86]

Were it not for what we are convinced should be recognized as the all-controlling reason for departure or modification thereof, we would be unwilling at this time to set aside or modify such rules or to approve any modification thereof. For reasons hereinafter stated, however, the Commission feels that the application should be granted.

On July 13, 1918, the Senate of the United States passed the following resolution:

"Resolved, that the President during the continuance of the present war, is authorized and empowered, whenever he shall deem it necessary for the national security or defense, to supervise or to take possession and control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, which supervision, possession, control, or operation shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace;

Provided, that just compensation shall be made for such supervision, possession, control, or operation to be determined by the President; and if the amount thereof, so determined by the President, is unsatisfactory to the person entitled to receive the same, such person shall be paid seventy-five per cent. of the amount so determined by the President and shall be entitled to sue the United States to recover such further sum as, added to said seventy-five per cent. will make up such amount as will be just compensation therefor, in the manner provided by Section 24, Paragraph 20, and Section 145 of the judicial code;

Provided, further that nothing in this Act shall be construed to amend, repeal, impair, or affect existing laws or powers of the States in relation to taxes or the lawful police regulations of the several States except wherein such laws, powers, or regulations may affect the transmission of government communications or the issue of stocks and bonds by such system or systems."

Thereafter the President of the United States, in pursuance of the authority conferred upon him by such resolution, issued his proclamation as follows:

"Whereas, it is deemed necessary for the national security and defense to supervise and take possession and assume control of all telegraph and telephone systems and to operate the same in such manner as may be needful or desirable;

Now, therefore, I, Woodrow Wilson, President of the United States, under and by virtue of the powers vested in me by the foregoing resolution and by virtue also of all the powers thereto me enabling, do hereby

take possession and assume control and supervision of each and every telegraph and telephone system and every part thereof within the jurisdiction of the United States, including all equipment thereof and appurtenances thereto whatsoever and all material and supplies.

It is hereby further directed that the supervision, possession, control and operation of such telegraph and telephone systems hereby by me undertaken shall be exercised by and through the Postmaster General Albert S. Burleson. Said Postmaster General may perform the duties hereby and hereunder imposed upon him so long and to such extent and in such manner as he shall determine through the owners, managers, boards of directors, receivers, officers and employees of said telegraph and telephone systems.

Until and except so far as said Postmaster General shall from time to time by general or special orders otherwise provide, the owners, managers, boards of directors, receivers, officers and employees of the various telegraph and telephone systems shall continue the operation thereof in the usual and ordinary course of the business of said system, in the names of their respective companies, associations, organizations, owners or managers as the case may be.

Regular dividends hitherto declared and maturing interest upon bonds, debentures and other obligations may be paid in due course, and such regular dividends and interest may continue to be paid until and unless the said Postmaster General shall from time to time otherwise by general or special orders determine; and subject to the approval of said Postmaster General the various telegraph and telephone systems may determine upon and arrange for the renewal and extension of maturing obligations."

Thereafter Postmaster General Burleson issued a statement dealing generally with his purposes and policy in control of the telegraph and telephone service. The Postmaster General has adopted the method of announcing his policies and orders by means of bulletins issued from time to time.

The bulletins of the Postmaster General concerning telegraph and telephone service issued up to date, in so far as they relate to the matter under discussion, are Bulletin No. 5 (Order No. 1931), dated August 28, 1918, and Bulletin No. 8, dated September 14, 1918, which is an amplification and modification of Bulletin No. 5.

Bulletin No. 5 has hereinbefore been set forth.

C. L. 86]

Bulletin No. 8 reads as follows:

"Order No. 1931, issued by me under date of August 28, provided certain charges for all installations of telephones on and after September 1, 1918, also a charge for the 'moving' of telephones. On account of the many inquiries regarding the order, the following instructions are issued:

1. Installation charges made effective by Order No. 1931 shall be referred to by telephone companies and collected from subscribers as 'Service Connection Charges' and shall be based on the minimum net rate charged to the subscriber. The service connection charges shall be collected from all applicants for new or additional service at the time of application and before such new service or additional service is established.

2. In cases of 'Change of Name,' or where no lapse of service occurs, the minimum charge of \$3.00 shall apply in all cases.

3. Service connection charges do not apply to extension bells, push buttons, buzzers, or miscellaneous equipment of like character, nor to directory listings.

4. With the exceptions above noted, the service connection charge shall apply to each class of service and class of equipment furnished the applicant for which the company shall have a regular separate established rate, and the amount of the service connection charge shall be determined by the amount of the regular established rate, in accordance with the terms of Order No. 1931.

5. All subscribers who pay the service connection charges established under Order No. 1931 shall be relieved of any other service connection charges, cancellation charges, charges made in liquidation of damages on account of short terms, and short term rates; and the use of one year or any other period in excess of one month as a minimum contract period for telephone service.

6. The 'Moving Charge' referred to in Order No. 1931 applies only to changes in the location of equipment on the premises. Such changes are generally known as 'inside moves.' For purposes of economy in administration and for the convenience of the public, the charge for moving a telephone set from one location to another on the same premises shall be \$3.00. The charge for moving all other equipment from one location to another on the same premises shall be based on the cost of labor and materials.

7. Order No. 1931 abolishes the distinction heretofore made by some companies between a new installation or a new service connection and an 'outside move'; and all changes in the location of the subscriber which have heretofore been described as 'outside moves' will hereafter be treated as new 'service connections' and subject to the service connection charges of Order No. 1931 and of these instructions supplementary thereto.

8. Service connection charges do not apply to the service known as 'service stations' or 'switching service'; and they do not supersede special installation or construction charges or mileage charges of any kind."

Even a casual reading of Bulletins 5 and 8 will show that the effect of these bulletins upon C. R. C. Decision No. 2879* is so complete that it may be said that there is complete substitution of amount of service charges as well as very radical changes in matters of practice concerning installations, removals and in other similar respects.

Postmaster General's Bulletin No. 2 (Order No. 1783), among other things, declares,

"Until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels";

and said Bulletin No. 5, among other things, provides:

"In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that 'until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels,' in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible."

Applicants construe such part of the bulletin quoted as a direction of the Postmaster General to secure the approval of this Commission for the service charges and practices substituted by said Bulletins 5 and 8 for the service charges and practices heretofore provided by this Commission.

The control of the telephone and telegraph companies is obviously a war policy of the Federal administration, and this Commission, consistent with its policy and duty in all similar situations, unhesitatingly cooperates with the Federal Government in such matters.

There may well be, and undoubtedly are, considerations of the Federal Government during its control of this service other than what would be present under normal conditions in the mind of a regulatory body. It may well be, and probably is, the desire of the Federal Government to

* See Commission Leaflet No. 49, pp. 327, 333.

C. L. 86]

discourage rather than encourage extensions, installation of equipment and services other than what are responsive to war needs, and in pursuance of this policy charges higher and different in character might be imposed for the purpose of discouraging extensions and installations other than the absolutely essential.

In this view of the situation and for the reasons stated, this Commission will approve of the schedules filed pursuant to direction of the Postmaster General; but in making and giving such approval, the Commission wishes to again declare that such approval is not a finding of reasonableness of such charges or practices, but on the contrary reaffirms and finds that the rules heretofore adopted in said Decision No. 2879* are just and reasonable.

It is our opinion that the approval of the charges and practices directed by the Postmaster General should be but temporary and withdrawal of such approval should be made by the Commission at the termination of the war or at such other time as the Commission deems appropriate.

ORDER.

Application having been filed by The Pacific Telephone and Telegraph Company, Sacramento Valley Telephone Company, The Home Telephone and Telegraph Company of Pasadena, Ontario and Upland Telephone Company and Southern California Telephone Company asking the Railroad Commission to make an *ex parte* order approving Bulletin No. 5 (Order No. 1931) and Bulletin No. 8 of the Postmaster General and authorizing the above named applicants respectively to file and place in effect rate sheets as in the several exhibits attached to the petition, the same to become effective as of September 1, 1918, in accordance with said orders of the Postmaster General,

And it appearing to the Railroad Commission that this application should be granted, and that this is not a matter requiring a public hearing,

* See Commission Leaflet No. 49, pp. 327, 333.

It is hereby ordered, That the application be, and it is hereby granted; *provided,* that the approval herein given and made of said rate sheets shall not be deemed a finding of the reasonableness of the charges, rules and regulations therein provided; and *provided, further,* that such approval shall be temporary in its character for the reasons and under the conditions stated in the opinion preceding this order.

It is hereby further ordered, That the authority herein granted applicants to file and make effective rate sheets cancelling and superseding rate sheets heretofore on file with the Railroad Commission and in effect, is limited, as to cancellation of rate sheets heretofore on file and in effect, to those charges which are directly in conflict with the charges which are provided for in the orders of the Postmaster General, hereinabove referred to,

And it is hereby further ordered, That the authority herein granted to make effective the charges for the installation and removal of telephones and telephone equipment which are provided for in the said orders of the Postmaster General, hereinabove referred to, is not retroactive as to any service order or orders placed with the applicants herein prior to September 1, 1918.

Dated at San Francisco, California, this nineteenth day of November, 1918.

ILLINOIS.

Public Utilities Commission.

In re JOINT PETITION OF EASTERN ILLINOIS INDEPENDENT
TELEPHONE COMPANY AND DAVID R. FORGAN *et al.*,
RECEIVERS OF CENTRAL UNION TELEPHONE COMPANY,
RELATIVE TO PURCHASE AND SALE.

Case No. 7926.

Decided July 31, 1918.

Sale of Exchanges to Competitor Having Higher Rates in Effect,
Authorized — Only Part of Purchase Price to be Capitalized —
Value of Non-usable Property Purchased, Less Salvage
Values, Ordered Amortized — Bonds and
Stock of Selling Company Ordered
Cancelled and Destroyed.

OPINION AND ORDER.

The joint application herein seeks the authority of the Commission for the Receivers, Central Union Telephone Company, to buy, and for the Eastern Illinois Independent Telephone Company to sell its property in Illinois, for a consideration equal to the amount which this Commission finds that said Receivers may permanently capitalize, plus the amount which the Commission will allow said Receivers to amortize by charges to operating expenses.

Hearings upon the application were held at Chicago, Illinois, on April 10, 1918, and at Springfield, Illinois, on July 31, 1918. The evidence shows that each of the companies is incorporated, and is transacting a public utility business in Kankakee County, Illinois. The evidence further shows that the petitioners are operating competing exchanges at Kankakee, Manteno and Grant Park, Illinois; that the Receivers are serving about 3,113 telephone stations in said competitive territory and that the Eastern Illinois Independent Telephone Company is serving about 2,499 telephone stations in the same territory; that there

are about 486 stations in the competitive territory served by both companies, that are receiving duplicate service.

It further appears from the evidence that the rates of the Receivers are \$6.00 per year higher than the rates of the Eastern Illinois company for one- and two-party business and one-party residence service, and are \$3.00 per year lower for four-party residence service at its Kankakee exchange, also that the rates of the Receiver are \$3.00 per year lower than the rates of said Eastern Illinois company for two-party residence service at its Manteno exchange. In all other instances the rates of the two companies are the same. It also appears that the 486 duplicate stations pay \$11,703 rental per year to the Eastern Illinois Independent Telephone Company for duplicate service, and that if the consolidation be consummated these duplicate stations will be saved that amount of money under present conditions. However, on account of the slightly higher rates, for certain classifications in effect by the Receivers, the non-duplicate stations of the Eastern Illinois Independent Telephone Company will pay about \$2,376 more for the consolidated service than they are paying to the Eastern Illinois Independent Telephone Company. As there is no physical connection between the properties of the two companies, and as these non-duplicate stations have now no access to the extensive long distance toll lines of the Receivers, the slight increase in rates to such subscribers will be more than offset by the increase in service obtainable.

An inventory and appraisal of the property involved was introduced in evidence on behalf of the Eastern Illinois Independent Telephone Company by a telephone engineer, employed by it. This engineer estimates the cost new of the physical property to be \$303,575 and the cost new, less depreciation, to be \$189,806. He also estimates the cost of establishing the business or going concern value to be \$35,000.

Using said engineer's figures, the Receivers estimate that the cost new, less depreciation, of the total physical property, which will not be useful to the Receivers on account of

duplication, to be \$43,235, and they estimate the cost of establishing the business of the duplicate stations at \$6,804, which, on the basis of the Eastern Illinois company's appraisal, would make the useful physical property \$146,571 and the going concern value \$28,196.

The Commission's engineering department made a check of the inventory and appraisal submitted by the engineer for the Eastern Illinois company and found that the unit prices used were normal average prices and that the values arrived at for the physical properties fairly represent the cost new and the cost new less depreciation of those properties. The Commission's engineering staff made no estimate of going concern value. They estimated the cost new less depreciation of the useful physical property to be \$107,579, and the cost new less depreciation of the non-useful physical property to be \$82,227.

The Commission, having fully considered the petition, exhibits and oral testimony, and being fully advised in the premises, finds that the interests of the public and of the joint applicants will be best served by a consolidation of the properties of the Receivers, Central Union Telephone Company, in Kankakee County, Illinois, and of the Eastern Illinois Independent Telephone Company in said county; that the proposed sale, if consummated, will consolidate the properties of the two companies in said territory, thus eliminating the expense to the public of the duplicate service, and will result in a complete and unified telephone service being furnished; that the proposed sale of the property of the Eastern Illinois Independent Telephone Company in Kankakee County, including its exchanges at Kankakee, Manteno and Grant Park, to the Receivers, Central Union Telephone Company, should be approved on the terms and conditions hereinafter set forth, and that the consideration should be \$195,000; that the Receivers shall never capitalize more than \$112,773 of the said purchase price, and that the remaining \$82,227 of said purchase price, after having been credited with whatever amount may be realized by way of salvage or resale from that part of the property to be

acquired which is not usable in connection with the plant of the Receivers, may be amortized by equal annual charges to operating expenses during the next ten years.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

1. That the Eastern Illinois Independent Telephone Company be, and it hereby is, authorized to sell, and that said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers of the Central Union Telephone Company, be, and they hereby are, authorized to purchase all of the property, including the exchanges at Kankakee, Manteno and Grant Park, Illinois, of the Eastern Illinois Independent Telephone Company for the sum of \$195,000, to be paid in cash, said sale and purchase to be upon the terms and conditions hereinafter set forth:

(1) That the complete transfer of the property to be sold and purchased, as herein provided, shall be effected within sixty days from the date of this order.

(2) That upon the completion of said sale and purchase the Receivers, Central Union Telephone Company, shall make a verified report of the same to this Commission.

(3) That upon effecting a complete transfer of said property said Eastern Illinois Independent Telephone Company shall be permitted and required to discontinue the operation of its telephone exchanges and system in the said cities of Kankakee, Manteno and Grant Park, and in the vicinities thereof, and shall file with this Commission a certificate of such discontinuance.

(4) That the Eastern Illinois Independent Telephone Company shall turn over all of its books of accounts and records to the Receivers, Central Union Telephone Company, taking a detailed receipt therefor, and furnishing this Commission with a certified copy of said receipt.

(5) That the Receivers, Central Union Telephone Company, shall make or cause to be made a final report to this Commission of the operations of said Eastern Illinois Independent Telephone Company from the date of its last annual report to this Commission to the date the property is transferred.

2. That the property to be acquired, as aforesaid, shall never be capitalized by the Central Union Telephone Company, or by its said Receivers, in an amount exceeding the sum of \$112,773, which amount the Commission has found to be the fair value of that part of said property which is usable in connection with the plant of said Central Union Telephone Company.

3. That that part of the purchase price representing the difference between the value, as determined by this Commission, of the property to be purchased, (namely \$195,000), and the value, as determined by this Commission, of that part of said property which can be used by the purchasers in the operation of their plant, (namely \$112,773), may be amortized by equal annual charges to operating expenses during the next ten years, *provided*, that there shall first be credited to this account such sums as may be realized by way of salvage or resale from that part of the property to be acquired which is not usable in connection with the plant of the said Receivers; the Receivers to report to this Commission at the end of ninety days from the date of this order and at the end of each three months thereafter until all of said non-usable property has been disposed of, the amount realized from the sale of such non-usable property as shall have been disposed of during the period covered by such report.

4. That the Eastern Illinois Independent Telephone Company shall cause to be released upon the completion of said sale and transfer the trust deed now upon the property of said company, and certified copy of such release shall be filed with this Commission; that the bonds issued thereunder by the Eastern Illinois Independent Telephone Company and all of the certificates of stock issued by said company shall, upon the completion of said sale and transfer, and payment therefor being made in full as above provided, be taken up, cancelled, cremated or otherwise destroyed, and a certificate of such destruction shall be filed by said company with this Commission within sixty days from completion of said sale and transfer.

5. That said sale and purchase shall be consummated by the execution and delivery of good and sufficient deed or instrument of conveyance, copy of which, duly certified, shall be filed with this Commission within five days from the consummation of said sale, and that said sale and purchase shall not be complete until said copy of conveyance shall be filed with this Commission.

July 31, 1918.

In re PROPOSED ADVANCE IN RATES IN LEWISTON AND VICINITY
OF RECEIVERS, CENTRAL UNION TELEPHONE COMPANY.

Case No. 8484.

Decided November 18, 1918.

Increase in Rates Authorized — 6.6 Per Cent. Fixed for Reserve for Depreciation.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Lewiston, Fulton County, and vicinity, having been filed by David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, and a hearing before the Commission on the matter being necessary, an order was entered, suspending the placing in effect of the proposed rates until January 28, 1919. The present rates in Lewiston and vicinity are as follows:

Individual, business stations	\$30 00
Individual, residence stations	18 00
Two-party, business stations	24 00
Two-party, residence stations	15 00
Rural, multi-party, business stations (20).....	18 00
Rural, multi-party, residence stations (20).....	12 00
Rural, multi-party, business stations (10).....	24 00
Rural, multi-party, residence stations (10).....	18 00
Extension telephones, business	12 00
Extension telephones, residence	6 00
Extension bell, business	3 00
Extension bell, residence	3 00
Extension 6" gong, business	6 00
Extension 6" gong, residence	6 00

C. L. 86]

	<i>Business</i>	<i>Residence</i>
Private Branch Exchange, No. 1:		
Switchboard, per position.....	\$12 00	\$12 00
Battery circuit (where total annual rental is less than \$150)	30 00	18 00
Generator circuit (where total annual rental is less than \$150)	30 00	18 00
Trunk, two-way (minimum — 1 trunk).....	30 00	18 00
Stations, within same premises (minimum 5 stations)	12 00	12 00
Private Branch Exchange, No. 2:		
Trunk, two-way	30 00	18 00
Stations, within same premises (minimum 5 stations — maximum 10 stations).....	12 00	12 00
Private Branch Exchange, Hotel:		
Switchboard, per position	5 00	.....
Battery circuit (where total annual revenue is less than \$150).....	30 00	.....
Generator circuit (where total annual revenue is less than \$150).....	30 00	.....
Trunk, two-way	30 00	.....
Stations, within same premises (minimum 20 stations)	5 00	.....
Private Branch Exchange, Hospitals and Dormitories such as Y. M. C. A., Y. W. C. A., and School Dormitories:		
Switchboard, per position.....	5 00	.....
Battery circuit (where total annual revenue is less than \$150).....	30 00	.....
Generator circuit (where total annual revenue is less than \$150).....	30 00	.....
Trunk, two-way	30 00	.....
Stations, within same premises (minimum 20 stations with two trunks).....	5 00	.....
Note: An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard.		
Extra mileage, individual line, per quarter mile or fraction thereof		\$6 00
Extra mileage, two-party line, per quarter mile or fraction thereof		3 75
Extra mileage, four-party line, per quarter mile or fraction thereof		2 25
Switching service, equipment and lines owned by subscriber..		2 00
Switching service, equipment and lines owned by subscriber to within two miles of city.....		6 00

Churches, hospitals and other charitable institutions not supported by public taxation:

Individual line	\$18 00
Two-party line	15 00
Extensions	6 00
Trunk connecting two private branch exchange switchboards, first mile or fraction thereof.....	40 00
Each additional quarter mile or fraction thereof.....	10 00
Private line, first mile or fraction thereof.....	40 00
Each additional quarter mile or fraction thereof.....	10 00
Each additional instrument	5 00
Extra receiver	1 00
Extra operator's head-set with transmitter.....	3 50
Extra listing	6 00

The schedule filed proposes to discontinue the rates now in effect and to establish in lieu thereof the following:

	<i>Per Year</i>
Individual, business stations	\$30 00
Individual, residence stations	21 00
Two-party, residence stations.....	18 00
Four-party, residence stations.....	15 00
Rural, multi-party, business stations (10).....	24 00
Rural, multi-party, residence stations (10).....	18 00
Extension telephones, business	12 00
Extension telephones, residence	6 00
Extension bell, business	3 00
Extension bell, residence	3 00
Extension 6" gong, business	6 00
Extension 6" gong, residence	6 00

	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Private Branch Exchange, Unlimited:		
Cordless board, 1 operator's station, 1 trunk and 2 stations (maximum 3 trunks and 7 stations)	\$90 00	\$81 00
Each additional station.....	12 00	12 00
Cord board (not exceeding 30 jacks) operator's set, 2 trunks and 2 stations.....	132 00	114 00
Each additional station	12 00	12 00
Private Branch Exchange, Unlimited:		
For hotels, hospitals and dormitories such as Y. M. C. A., Y. W. C. A. and school dormitories:		
Switchboard (not exceeding 30 jacks) operator's set, 2 trunks and 20 stations.....	208 00	.....
Each additional station	5 00	.....

C. L. 86]

Private Branch Exchange No. 2, Unlimited:

One trunk and 5 stations (maximum 10 stations)	\$126 00	\$117 00
Each additional station.....	18 00	18 00
Private Branch Exchange, Additional Equipment:		
Each additional strip of 10 jacks.....	6 00	6 00
Each additional trunk.....	36 00	27 00
Battery circuit or generator circuit where total exchange revenue is less than \$150 per year..	30 00	21 00

Note: An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard.

Extra mileage, individual line, per quarter mile or fraction thereof	\$6 00
Extra mileage, two-party line, per quarter mile or fraction thereof	3 75
Switching service, equipment and lines owned by subscriber..	6 00
Switching service, lines only owned by subscriber.....	6 00
Churches, hospitals and other charitable institutions not supported by public taxation:	
Individual line	21 00
Two-party line	18 00
Extensions	6 00
Trunk connecting two private branch exchange switchboards:	
First mile or fraction thereof.....	40 00
Each additional quarter mile or fraction thereof.....	10 00
Private Line:	
First mile or fraction thereof.....	40 00
Each additional quarter mile or fraction thereof.....	10 00
Each additional instrument.....	5 00
Extra receiver	1 00
Extra operator's head-set with transmitter.....	3 50
Extra listing	6 00

The matter came on for hearing before the Commission on September 18, 1918. The Receivers, Central Union Telephone Company, were represented by *O. M. Burgess*, commercial engineer; no objectors to proposed rates appearing. The petitioner introduced, as exhibits, an inventory and appraisal of plant, annual revenue and expense statements for the three years ending December 31, 1915, 1916 and 1917, respectively; a statement of revenues for the year ending June 30, 1918, and proof of publication of a notice of intention to apply for an advance in

rates. Testimony offered tends to show that the rates now in effect do not provide sufficient revenue to cover operating expenses, provide adequate reserve against depreciation and pay a reasonable return.

On June 30, 1918, the company was furnishing service to telephone stations classified and distributed as follows:

TABLE I.
TELEPHONE STATIONS.

<i>Business:</i>	<i>Stations</i>	<i>Rate</i>
Individual line	34	\$30 00
Two-party line	47	24 00
Extension sets	8	12 00
<i>Residence:</i>		
Individual line	33	18 00
Two-party line	110	15 00
Four-party line	187	12 00
Extension sets	4	12 00
Rural line	24	12 00
Pay stations	2	.....
Service stations	94	2 00
Service stations	196	6 00

The plant is of the magneto type, with metallic circuits to all subscribers, and switching service is furnished to several metallic rural circuits.

The inventory submitted has been carefully checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, exclusive of all toll plant, using average prices for labor and material, based upon the five-year period 1912 to 1916 inclusive, and including the present stock of materials and supplies, is \$31,880.

The reproduction cost new, less depreciation, exclusive of all toll plant and including the present stock of materials and supplies, is \$26,441.

The reproduction cost new, as shown by the inventory filed by petitioner, is \$42,716.60, and the reproduction cost new, less depreciation, is \$36,238.31. A portion of the difference between these and the corresponding valuations made by the Commission's engineers is due to the elimination from the inventory of local plant of all items the prin-

C. L. 86]

cial use of which is devoted to toll, together with a reduction in the valuation placed upon the items of plant known as overhead.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$2,067. The average operating expenses for the years 1915, 1916 and 1917, including the average annual allowance of \$3,328 made by petitioner to provide a reserve against depreciation, is \$9,402. The average total gross operating revenue for the same period, including the local exchange apportionment of toll income, is \$8,563, while the average annual deduction from gross revenue for uncollectible accounts, taxes, rents, and amortization of landed capital, is \$233. The average net revenue, therefore, applicable to operating expense and return is \$8,330. Should the allowance to provide an adequate reserve for depreciation, as fixed by the Commission, be substituted, the average operating result, therefore, for the years 1915, 1916 and 1917, inclusive, is a net income of \$189.

It is obvious that the sum allowed by petitioner to cover the necessary charge to provide a reserve against depreciation is computed upon a basis which the Commission does not deem justifiable. Based upon a careful inspection of the plant and average life tables as determined by experience for the several component items of the plant, the annual depreciation occurring in the entire physical portion of the plant, figured on a straight line basis, is \$2,067. This is approximately 6.6 per cent. of the cost to reproduce the plant new as fixed by the Commission. Should the depreciation allowance be computed on the so-called basis of equal annual payments or on a sinking fund basis for the average composite life of the entire plant, it would be still further reduced.

After carefully considering the method of appraising the plant, taking into consideration every fact and circum-

stance bearing upon its value, making due allowance for the necessary working capital, and including present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Lewistown and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, is at least \$31,000 as of June 1, 1918.

Assuming that the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rate schedule, the total annual operating revenue will be increased approximately \$1,790. Testimony tends to show, however, that should the proposed rates be placed in effect, a reduction in the number of subscribers' stations may reasonably be expected.

After carefully considering the matter and giving due weight to every factor affecting the probable increase in revenue provided the proposed rates are placed in effect, and making due allowance for a reasonable reduction in the number of subscribers' stations, the Commission is of the opinion, and finds, that the proposed rates will produce at least a probable net increase of \$1,600. Including in operating expense an allowance to provide a reserve against depreciation, as fixed by the Commission, this net increase will assure a net return over all reasonable operating expenses of approximately \$1,789, which is 5.8 per cent. of the fair property value fixed as a basis for rate-making.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, be, and the same hereby are, authorized to discontinue the schedule of rates now in effect in Lewistown and vicinity and to substitute therefor the following:

C. L. 86]

	<i>Per Year</i>
Individual, business stations	\$30 00
Individual, residence stations	21 00
Two-party, residence stations.....	18 00
Four-party, residence stations	15 00
Rural, multi-party, business stations (10).....	24 00
Rural, multi-party, residence stations (10).....	18 00
Extension telephones, business	12 00
Extension telephones, residence	6 00
Extension bell, business	3 00
Extension bell, residence	3 00
Extension 6" gong, business	6 00
Extension 6" gong, residence	6 00

	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Private Branch Exchange, Unlimited:		
Cordless board, 1 operator's station, 1 trunk and 2 stations (maximum 3 trunks and 7 stations)	\$90 00	\$81 00
Each additional station.....	12 00	12 00
Cord board (not exceeding 30 jacks) operator's set, 2 trunks and 2 stations.....	132 00	114 00
Each additional station.....	12 00	12 00
Private Branch Exchange, Unlimited:		
For hotels, hospitals and dormitories such as Y. M. C. A., Y. W. C. A. and school dormitories:		
Switchboard (not exceeding 30 jacks) operator's set, 2 trunks and 20 stations.....	208 00	.....
Each additional station.....	5 00	.....
Private Branch Exchange No. 2, Unlimited:		
One trunk and 5 stations (maximum 10 stations)	126 00	117 00
Each additional station.....	18 00	18 00
Private Branch Exchange, Additional Equipment:		
Each additional strip of 10 jacks.....	6 00	6 00
Each additional trunk.....	36 00	27 00
Battery circuit or generator circuit where total exchange revenue is less than \$150 per year.	30 00	21 00

Note: An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard.

Extra mileage, individual line, per quarter mile or fraction thereof	\$6 00
Extra mileage, two-party line, per quarter mile or fraction thereof	3 75
Switching service, equipment and lines owned by subscriber..	6 00
Switching service, lines only owned by subscriber.....	6 00
Churches, hospitals and other charitable institutions not supported by public taxation:	
Individual line	21 00
Two-party line	18 00
Extensions	6 00
Trunk connecting two private branch exchange switchboards:	
First mile or fraction thereof.....	40 00
Each additional quarter mile or fraction thereof.....	10 00
Private line:	
First mile or fraction thereof.....	40 00
Each additional quarter mile or fraction thereof.....	10 00
Each additional instrument.....	5 00
Extra receiver	1 00
Extra operator's head set with transmitter.....	3 50
Extra listing	6 00

Section 2. That David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, set aside annually, as a reserve against depreciation, a sum sufficient to cover, as an item of operating expense, the actual depreciation accruing annually in the property.

Section 3. That the schedule of telephone rates authorized herein shall be filed, posted and published by David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois; that it shall be designated as I. P. U. C. 1, and shall become effective December 1, 1918.

Section 4. That a suspension order, affecting Schedule I. P. U. C. 1 of David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Com-

* See Commission Leaflet No. 54, p. 21.

C. L. 86]

pany, dated September 4, 1918, be, and the same is hereby, vacated as of December 1, 1918.

By order of the Commission, at Springfield, Illinois, this eighteenth day of November, 1918.

In re APPLICATION OF FARMERS FOUNTAIN TELEPHONE COMPANY FOR AUTHORITY TO CHANGE RATES IN COLUMBIA, WATERLOO, NEW HANOVER, VALMEYER AND VICINITIES.

Case No. 7833.

Decided December 3, 1918.

Increase in Residence and Business Rates Authorized — Valuation not Made.

OPINION AND ORDER.

The application filed herein states that the Farmers Fountain Telephone Company, of Columbia, Monroe County, is a public utility, engaged in the operation of a telephone system in Monroe and St. Clair Counties, with exchanges at Columbia, Waterloo, New Hanover and Valmeyer, and having its principal office at Columbia, Monroe County, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois. The present rates of the petitioner are stated to be as follows:

	<i>Per Year</i>
Residence, individual line, stations.....	\$10 00
Business, individual line, stations.....	12 00
Rural, multi-party line, stations.....	10 00

The application asks for the issuance of an order authorizing the discontinuance of the schedule of rates now in effect and the establishment, in lieu thereof, of the following:

	<i>Per Year</i>
Residence, individual line, stations.....	\$12 00
Business, individual line, stations.....	14 00
Rural, multi-party line, stations.....	10 00
All telephone rentals payable quarterly.	

The matter came on for hearing before the Commission on March 19, 1918. The Farmers Fountain Telephone Company was represented by *Mr. Josh Wilson*, attorney, no objectors to the proposed rates appearing. Petitioner later supplied an inventory and appraisal of the plant, revenue and expense statements for the years 1916 and 1917, and for January and February of 1918. Proof of publication of a notice of intention to apply for authority to increase rates was filed at the hearing.

Testimony tends to show that the rates now in effect do not produce revenue sufficient to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return. The proposed schedule affects rates for city telephone service only, which is classified and distributed as follows:

	<i>Residence</i>	<i>Business</i>
Columbia, city stations.....	35	42
Waterloo, city stations.....	13	35
New Hanover, city stations.....	5	2
Valmeyer, city stations.....	1	13
TOTAL CITY STATIONS.....	54	92

The system in use is of the magneto type, with metallic circuits to subscribers' city stations and grounded circuits on rural multi-party lines. In addition to the city stations, the company serves approximately 494 rural subscribers' stations, which are not affected by the proposed advance in rates.

The inventory filed by petitioner has been checked and the checked inventory appraised by the Commission's engineers. The cost to reproduce the physical portion of the entire property new, including materials and supplies, and based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, was found to be \$48,684, and the cost to reproduce new, less depreciation, \$34,431.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its

C. L. 86]

several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion was found to be \$3,035. The total average annual operating expense for the year 1916 and 1917, as reported by petitioner, is \$7,912. No provision has been made for an allowance in operating expense to provide a reserve against depreciation. Should an allowance be made for this purpose, equal to 6 per cent. of the cost to reproduce the property new, exclusive of materials and supplies, the annual operating expense, based upon an average for the other items as shown by petitioner's report for the years 1916 and 1917, would be increased to approximately \$10,000. Since the proposed schedule constitutes, in effect, an increase of \$2.00 per year upon the total number of city telephone stations, 146, the total annual operating revenue will be increased approximately \$292.

Testimony and exhibits show that operation under the present schedule involves an annual deficit of approximately \$338. It is obvious, therefore, that the proposed schedule of rates will be productive of barely sufficient revenue to cover operating expenses, exclusive of an allowance for depreciation reserve. In view of this fact, the Commission sees no necessity of fixing a definite value for rate-making purposes upon the property in question. It is obvious, upon the face of the testimony and exhibits in the case, that the proposed increase in rates will, when placed in effect, under no circumstance produce an excessive rate of return upon any fair valuation that might be assigned for the property.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Farmers Fountain Telephone Company, of Columbia, Monroe County, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Columbia, Waterloo, New Hanover and Valmeyer and vicinities, and to substitute therefor the following:

	<i>Per Year</i>
Residence telephones, individual line.....	\$12 00
Business telephones	14 00
Rural, party line telephones.....	10 00
All telephone rentals payable quarterly.	

Section 2. That the schedule of telephone rates authorized herein shall be filed, posted, and published by the Farmers Fountain Telephone Company, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois; that it shall be designated as I. P. U. C. 1, and shall become effective as of December 1, 1918.

By order of the Commission, at Springfield, Illinois, this third day of December, 1918.

In re APPLICATION OF SMILEY BROS. TELEPHONE EXCHANGE
FOR INCREASE IN RATES IN O'FALLON AND VICINITY.

Case No. 8429.

Decided December 3, 1918.

Increase in Rates Authorized — 6 Per Cent. Fixed for Reserve for Depreciation.

OPINION AND ORDER.

The application filed herein sets forth that petitioner is a public utility, engaged in the operation of a telephone system in O'Fallon, St. Clair County, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities. The present telephone rates in O'Fallon and vicinity are as follows:

* See Commission Leaflet No. 54, p. 21.

C. L. 86]

	<i>Per Annum</i>
Business, individual line, stations.....	\$24 00
Residence, individual line, stations.....	18 00
Residence, two-party line, stations.....	15 00
Residence, four-party line, stations.....	12 00
Extension telephones	6 00
Desk telephones, residence or business (extra).....	3 00
Automatic instruments (extra).....	3 00
Rural, multi-party, stations.....	12 00
Extra listing, per line.....	6 00
Extension bells	3 00
Push button and buzzer.....	2 00
Rural lines, when equipment and lines are owned by subscribers, switching only	5 00

The application asks for the issuance of an order authorizing the discontinuance of the rates now in effect and the placing in effect of the following:

PROPOSED SCHEDULE.

<i>Classification of Service</i>	<i>Rate Per Annum</i>	<i>Discount if Paid On or Before Tenth of Month</i>
Business, individual line, stations.....	\$33 00	\$0.25
Residence, individual line, stations.....	27 00	25
Residence, two-party line, stations.....	24 00	25
Residence, four-party line, stations.....	21 00	25
Extension telephones	6 00	.....
Desk sets, residence and business (extra).....	3 00	.....
Automatic instruments (extra).....	4 50	.....
Rural, multi-party, stations, up to 18 on line....	21 00	25
Subscribers to pay a part of cost of construction of line, no less than 3 to a line.		
Extra listing, per line.....	6 00	.....
Moving charge, actual cost.		
Extension bells	3 00	.....
Push button and buzzer.....	2 00	.....
Rural lines, when equipment and lines are owned by subscribers, switching only.....	5 00	.....

The matter came on for hearing before the Commission on September 3, 1918. Smiley Bros. Telephone Exchange

was represented by *Bruce A. Campbell*, attorney, no objectors to proposed rates appearing. Petitioner introduced, as exhibits, an inventory and appraisal of plant, a comparative statement showing operating revenue and expense for the year ending December 31, 1917, with a comparison of revenue under the present rates and the estimated revenue under the proposed rates, together with proof of publication of a notice of intention to apply for authority to advance rates.

The plant is of the magneto type, with metallic circuits to all subscribers' stations, and testimony shows that service is being furnished to 322 subscribers.

The inventory submitted has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, using average prices of labor and material for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$21,012. The reproduction cost new, less depreciation, including the present stock of materials and supplies, is \$12,060.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to the several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$1,405. The average operating expense for the years 1916 and 1917, including \$950, the average annual allowance made by petitioner to provide a reserve against depreciation, is \$4,583. The average total operating revenue, for the same period, is \$4,459. Including an allowance adequate to provide a proper reserve for depreciation, as fixed by the Commission, the average operating result, therefore, for the years 1916 and 1917, is a deficit of \$579.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, and making due allowance for the necessary working capital, and including present stock of materials and supplies, the Commission is of the opinion,

C. L. 86]

and finds, that a fair value of the property used and useful in furnishing telephone service in O'Fallon and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes is \$14,940, as of June 1, 1918.

In view of the character of the construction used and of the fact that a large portion of the plant is in condition requiring early repair, the Commission is also of the opinion, and finds, after giving all of the related facts careful consideration, that the annual depreciation now occurring in the plant is due, in part, to the fact that the property has not been adequately maintained in the past. The Commission is of the opinion, therefore, and finds, after careful consideration, that a sum equal to 6 per cent. of the cost to reproduce the entire physical property, based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, should be set aside annually to provide a reserve against normal depreciation.

Since the rates proposed by petitioner will produce an annual probable net income of approximately \$1,383, which is 9 per cent. on the valuation fixed by the Commission as of June 1, 1918, for rate-making purposes, the Commission, after carefully considering the matter and giving due weight to all factors involved, is of the opinion, and finds, that said proposed rates are not justified, but that a modification thereof, as hereinafter authorized, will produce a probable annual increase in operating revenue of approximately \$1,377, which is sufficient to permit of an annual allowance being set aside for a reserve against depreciation, to cover operating expenses, and to produce a probable net return of \$798 per annum, approximately 5.4 per cent. on the valuation fixed by the Commission as of June 1, 1918, as a basis for rate-making.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Smiley Bros. Telephone Exchange be, and the same hereby is, authorized to discontinue the sched-

ule of rates now in effect in O'Fallon and vicinity and to substitute therefor the following modification of the schedule proposed:

MODIFIED SCHEDULE.

<i>Classification of Service</i>	<i>Rate Per Annum</i>	<i>Discount if Paid On or Before Tenth of Month</i>
Business, individual lines, stations.....	\$33 00	\$0.25
Residence, individual line, stations.....	27 00	25
Residence, two-party line, stations.....	24 00	25
Residence, four-party line, stations.....	18 00	25
Extension telephones	6 00	.....
Desk sets, residence and business (extra).....	3 00	.....
Automatic instruments (extra).....	4 50	.....
Rural, multi-party line, stations, up to 18 on line	18 00	25
Subscribers to pay a part of cost of construc- tion of line, no less than 3 to a line.		
Extra listing, per line.....	6 00	.....
Moving charge, actual cost.		
Extension bells	3 00	.....
Push button and buzzer.....	2 00	.....
Rural lines, when equipment and lines are owned by subscribers, switching only.....	5 00	.....

Section 2. That the Smiley Bros. Telephone Exchange set aside annually, as a reserve against depreciation, a sum which is not less than 6 per cent. of the cost to reproduce the entire present physical property in O'Fallon and vicinity new, based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, plus 6 per cent. of the cost of all additions made in the future.

Section 3. That the schedule of telephone rates authorized herein shall be filed, posted, and published by the Smiley Bros. Telephone Exchange, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities

* See Commission Leaflet No. 54, p. 21.

C. L. 86]

Commission of Illinois; that it shall be designated as I. P. U. C. No. 1, and shall become effective December 1, 1918.

By order of the Commission, at Springfield, Illinois, this third day of December, 1918.

STATE PUBLIC UTILITIES COMMISSION *ex rel.* CHICAGO TELEPHONE COMPANY *v.* POSTAL TELEGRAPH-CABLE COMPANY.

On December 4, 1918, the Supreme Court of Illinois without further opinion denied (120 N. E. 795) the petition for rehearing of its decision upon rehearing (See Commission Leaflet No. 84, p. 47) deciding that the order of the Public Utilities Commission (See Commission Leaflet No. 66, p. 1473), directing the telegraph company to cease the operation of a public telephone business in the State of Illinois until it should obtain a certificate of public convenience and necessity from the Commission, was invalid for lack of jurisdiction.

In re PROPOSED ADVANCE IN RATES IN CLINTON, FARMER CITY, MANSFIELD, WELDON, KENNEY AND WAYNESVILLE AND VICINITIES OF NATIONAL TELEPHONE AND ELECTRIC COMPANY.

Case No. 8242.

Decided December 4, 1918.

Increase in Rates Authorized—6 Per Cent. Fixed for Reserve for Depreciation.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Clinton, Farmer City, Mansfield, Weldon, Kenney and Waynesville, and vicinities, known as I. P. U. C. 1, cancelling I. P. U. C. Original, having been filed by the National Telephone and Electric Company, Clinton, DeWitt County, and a hearing on the propriety of the proposed rates being necessary, an order was entered suspending the placing in effect of the proposed rates until November 28, 1918.

The present rates in the several exchanges covered in the schedule are shown in TABLE I.; and the rates which it is proposed to place in effect in lieu thereof are shown in TABLE II.

TABLE I.

	Clinton	Farmer City	Mansfield	Kenney	Weldon	Waynesville
Residence, wall telephones on party line.....	\$15 00	\$15 00	.....	\$15 00	\$15 00	.....
Residence, wall telephones on city lines.....	18 00	18 00	.....	20 00	.....	\$15 00
Portable desk telephones, residence.....	20 00	.....	.....	.....	.....	.....
Business, wall telephones on party line.....	15 00	.....	.....	.....	.....	.....
Business, wall telephones on individual lines.....	18 00	18 00	.....	.....	20 00	.....
Business, desk telephones on individual lines.....	20 00	20 00	\$20 00	.....	17 00	20 00
Special wall telephone, grain line.....	60 00	50 00	.....	50 00	50 00	50 00
Residence, wall telephones.....	18 00	15 00	15 00	15 00	15 00	15 00
Business, wall telephones.....	12 00	.....	15 00	.....	.....	.....
Wall extension telephone.....	14 00	14 00	.....	.....	.....	.....
Desk extension telephone.....	7 00	7 00	.....	.....	5 00	.....
Desk answering sets.....	6 00	.....	.....	.....	.....	.....
Wall answering sets.....	No charge	.....	.....	.....	.....	.....
Free telephone for city.....	.....	.....	.....	.....	.....	.....
Rural, wall residence telephone.....	.....	.....	.....	.....	15 00	.....
Extension bell.....	.....	.....	.....	.....	3 00	.....
City, wall business telephone.....	.....	.....	.....	.....	20 00	.....

TABLE II.

	Clinton	Farmer City	Mansfield	Kenney	Weldon	Waynesville
Business, individual line, stations	\$27 00	\$27 00	\$27 00	\$27 00	\$27 00	\$27 00
Residence, individual line, stations	24 00	24 00	21 00	21 00	21 00	21 00
Residence, two-party line, stations	21 00	21 00	18 00	18 00	18 00	18 00
Business extension stations	9 00	9 00	6 00	6 00	6 00	6 00
Residence extension stations	6 00	6 00	6 00	6 00	6 00	6 00
Rural, multi-party line, business stations	21 00	21 00	21 00	21 00	21 00	21 00
Rural, multi-party line, residence stations	21 00	21 00	21 00	21 00	21 00	21 00
Extra listing in directory	6 00	6 00	6 00	6 00	6 00	6 00
Extension bells, business	3 00	3 00	3 00	3 00	3 00	3 00
Extension bells, residence	3 00	3 00	3 00	3 00	3 00	3 00
Extension bells, business (loud)	6 00	6 00	6 00	6 00	6 00	6 00
Extension bells, residence (loud)	6 00	6 00	6 00	6 00	6 00	6 00
Extra mileage:						
For a line extending beyond the established exchange area, individual line, per quarter mile or fraction thereof, per line	4 00	4 00	4 00	4 00	4 00	4 00
For a line extending beyond the established exchange area, two-party line, per quarter mile or fraction thereof, per station	2 25	2 25	2 25	2 25	2 25	2 25

NOTE:—A discount of 25 cents per month applies to the rates for business and residence telephones, if payment is made monthly, on or before the twentieth day of the current month.

The matter came on for hearing before the Commission on July 10, 1918, with a second hearing on July 24, 1918, both at Springfield. The National Telephone and Electric Company was represented at both hearings by *Ben B. Boynton*, attorney.

At the hearing, July 10, 1918, objectors to the proposed rates were as follows: *Mr. Frank Rundle*, mayor, Clinton; *Mr. John Bendall*, mayor; and *Mr. L. R. Herrick*, attorney, Farmer City; and *Mr. John Watkins*, Mansfield. At the hearing, July 24, 1918, the following were present as objectors: *Mr. John Bendall*, mayor, and *Mr. L. R. Herrick*, attorney, Farmer City; and *Mr. Frank Rundle*, mayor, Clinton.

At the hearing, July 10, the petitioner introduced, as exhibits, revenue and expense statements for the six months ending December 31, 1915, the year ending December 31, 1916, and the year ending December 31, 1917, together with a comparative statement showing the rate of return to the company under the present rates, and the estimated rate of return under the rates proposed, together with proof of publication of notice of application for authority to advance rates.

Testimony offered tends to show that the rates now in effect do not provide revenue sufficient to cover operating expenses, provide adequate reserve against depreciation and pay a reasonable return. The service furnished is classified as follows, and involves approximately 2,400 telephone stations:

TABLE III.

<i>Classification</i>	<i>Clinton</i>	<i>Farmer City</i>	<i>Mansfield</i>	<i>Kenney</i>	<i>Weldon</i>	<i>Waynesville</i>	<i>Total</i>
Business telephones, individual line.....	208	67	25	21	21	9	351
Business telephones, two-party line.....	4	10	4	2	54	17	91
Residence telephones, individual line.....	552	207	83	47	2	.....	891
Residence telephones, two-party line.....	19	44	5	4	2	1	75
Extension, business.....	30	8	.....	.....	.....	.....	38
Extension, residence.....	1	2	.....	.....	.....	.....	15
Grain line.....	8	8	.....	.....	.....	.....	17
Pay stations.....	4	.....	1	1	1	1	8
TOTAL.....	838	346	118	75	80	29	1,486
Less free, account franchisee, company and pay stations.....	23	4	3	2	2	3	34
TOTAL.....	815	342	115	73	78	26	1,452
Rural party line, business.....	12	5	4	.....	7	.....	28
Rural party line, residence.....	228	308	144	9	245	31	960
GRAND TOTAL.....	1,055	653	263	82	330	57	2,440

The entire system, comprising six exchanges, in which it is proposed to change rates, is operated as a unit by the National Telephone and Electric Company, furnishing telephone service to a very rich rural community. Testimony tends to show that this property has suffered from inadequate maintenance and consequent retarded development in the past and that it is necessary to effect substantial reconstruction at once in order that service may continue without interruption. It is claimed that the grade of service now furnished is below the required standard, because present rates do not provide sufficient revenue to cover operating expenses and assure satisfactory maintenance, with an allowance sufficient to provide an adequate reserve against depreciation. Recently, however, the service at Waynesville has been improved by reconstructing a part of the plant, and further improvements which petitioner proposes to make will tend to place the entire plant in satisfactory condition.

In order No. 3274, the then owners of the property were instructed by the Commission to set up a present value, based upon inventory and appraisal, of \$161,658 for the plant and \$2,071 for materials and supplies, a total, as of August 1, 1914, for the physical property, of \$163,729. Statements filed show that additions to plant from August 1, 1914, the date of the inventory and appraisal, to December 31, 1917, were \$24,053, making a total, for the appraised value of plant, plus such additions as were made prior to December 31, 1917, and exclusive of materials and supplies, of \$185,711. The total value of materials and supplies on hand on the same date was \$4,890.

The cost of reproduction new, of the physical portion of the plant, as of August 1, 1914, fixed by the Commission, plus such additions to plant as have been made since that date and prior to December 31, 1917, exclusive of materials and supplies, is \$224,973.

Under the rates now in effect, the average annual revenue, based on the two and one-half-year period ending December 31, 1917, including interexchange toll revenue and

C. L. 86]

other revenue from miscellaneous sources, is \$44,570. Should the proposed rates be placed in effect, the annual operating revenue, assuming that the same total number of subscribers' stations is maintained, but classified and distributed in accordance with the proposed schedule, will be increased \$6,837.

The total annual average operating expense for the two and one-half-year period ending December 31, 1917, is \$33,335. This includes an average annual allowance of only \$380 to provide a reserve against depreciation. Should an annual allowance of 6 per cent. of the reproduction cost new of the physical portion of the property be included in the operating expense, the annual average operating expense will be increased to approximately \$45,000, resulting, under the present schedule of rates, in an annual operating deficit of approximately \$443. It is clear, therefore, that if the proposed rates are placed in effect and the allowance for a reserve against depreciation is increased to approximately 6 per cent. of the reproduction cost new of the physical portion of the property, the annual operation of the company will result in a net income, assuming that operating expenses will not be increased under present conditions, of approximately \$6,395. We may assume, for the purposes of this case, that the present value of petitioner's property, including all additions and betterments made since August 1, 1914, is no greater than the value found by the Commission as of said latter date, \$163,729, and yet the net income under the proposed rates would be equivalent to a return of only 1.8 per cent. In view of this fact, and from consideration of all the other facts shown by the record in this case, the Commission is of the opinion, and finds, that the proposed rates are reasonable and just.

The Commission is further of the opinion, that it is not necessary, at this time, to definitely fix the present value of the telephone property involved herein.

Arguments advanced by the city of Farmer City, one of the objectors to the proposed rates, were based upon a consideration of the capitalization of the company, the

valuation placed on the property by the Commission in Case No. 3274, and the cost of additions to plant made during the period August 1, 1914, to December 31, 1917.

The Commission has given full consideration to the rate of return upon the capital stock of the company, as well as to the probable rate of return provided the proposed rates are placed in effect. The valuation placed upon the property by the Commission as of August 1, 1914, was based upon a detailed inventory and appraisal of the plant and is not an element open to question in this proceeding. This is clear, inasmuch as the net income realized by petitioner from the operation of the property is less than a reasonable return upon a valuation of this plant as of August 1, 1914, plus additions to the plant made prior to December 31, 1917, less depreciation.

It is, therefore, ordered, That the National Telephone and Electric Company, of Clinton, Illinois, be, and the same is hereby, authorized to discontinue its schedule of rates now in effect at Clinton, Farmer City, Mansfield, Weldon, Kenney and Waynesville and vicinities, and to substitute therefor the following:

C. L. 86]

	Clinton	Farmer City	Mansfield	Kenney	Weldon	Waynesville
Business, individual line, stations	\$27 00	\$27 00	\$27 00	\$27 00	\$27 00	\$27 00
Residence, individual line, stations	24 00	24 00	21 00	21 00	21 00	21 00
Residence, two-party line, stations	21 00	21 00	18 00	18 00	18 00	18 00
Business extension stations	9 00	9 00	6 00	6 00	6 00	6 00
Residence extension stations	6 00	6 00	6 00	6 00	6 00	6 00
Rural, multi-party line, business stations	21 00	21 00	21 00	21 00	21 00	21 00
Rural, multi-party line, residence stations	21 00	21 00	21 00	21 00	21 00	21 00
Extra listing in directory	6 00	6 00	6 00	6 00	6 00	6 00
Extension bells, business	3 00	3 00	3 00	3 00	3 00	3 00
Extension bells, residence	3 00	3 00	3 00	3 00	3 00	3 00
Extension bells, business (loud)	6 00	6 00	6 00	6 00	6 00	6 00
Extension bells, residence (loud)	6 00	6 00	6 00	6 00	6 00	6 00
Extra mileage:						
For a line extending beyond the established exchange area, individual line, per quarter mile or fraction thereof, per line	4 00	4 00	4 00	4 00	4 00	4 00
For a line extending beyond the established exchange area, two-party line, per quarter mile or fraction thereof, per station	2 25	2 25	2 25	2 25	2 25	2 25

NOTE:— A discount of 25 cents per month applies to the rates for business and residence telephones, if payment is made monthly, on or before the twentieth day of the current month.

It is further ordered, That the National Telephone and Electric Company set aside annually, as a reserve against depreciation, a sum equal to 6 per cent. of the reproduction cost new of its plant, \$224,973.

It is further ordered, That the schedule of telephone rates authorized herein shall be filed, posted and published by the National Telephone and Electric Company, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois; that it shall be designated as I. P. U. C. 1, and shall become effective as of November 28, 1918.

It is further ordered, That a suspension order affecting Schedule I. P. U. C. 1 of the National Telephone and Electric Company, canceling I. P. U. C. Original, dated July 1, 1918, be, and the same is hereby, vacated as of November 28, 1918.

By order of the Commission, at Springfield, Illinois, this fourth day of December, 1918.

In re JOINT PETITION OF EASTERN ILLINOIS INDEPENDENT TELEPHONE COMPANY AND DAVID R. FORGAN *et al.*, RECEIVERS, CENTRAL UNION TELEPHONE COMPANY, FOR AN ORDER APPROVING SALE BY FORMER AND PURCHASE BY LATTER OF TELEPHONE PROPERTY.

Case No. 7926.

Decided December 16, 1918.

Modification of Order Authorizing Sale of Property Made—Payment for Property by Part Cash and Assumption of Payment of Mortgage Bonds, Authorized.

SUPPLEMENTAL ORDER.

An order† having been entered in the above-entitled matter on July 31, 1918, authorizing the Eastern Illinois Independent Telephone Company to sell, and David R.

* See Commission Leaflet No. 54, p. 21.

† See *supra*, p. 533.

Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers of the Central Union Telephone Company, to purchase, all of the property, including the exchanges at Kankakee, Manteno and Grant Park, Illinois, of the Eastern Illinois Independent Telephone Company, for the sum of \$195,000, to be paid in cash, said sale and purchase to be upon the terms and conditions set forth in said order; and

A supplemental petition having been filed herein by said Receivers, Central Union Telephone Company, in which it is set forth that since the date of the above-mentioned order* the parties hereto have agreed upon a modification of the terms of the purchase whereby \$75,000 of the total purchase price of \$195,000 is to be paid in cash and the remaining \$120,000 thereof is to be paid by the assumption by the Receivers herein of \$120,000, par value, of the first mortgage 5 per cent. bonds of said Eastern Illinois Independent Telephone Company now outstanding and secured by deed of trust covering said property, said bonds maturing on February 1, 1924, the existing arrangement or agreement between the said Receivers and said Eastern Illinois Independent Telephone Company regarding said proposed purchase, as set forth in the original petition filed herein, to remain in force except as so modified. The petitioner asks that the Commission enter an order herein approving the modified terms of purchase as aforesaid.

The Commission having considered said supplemental petition, and being fully advised in the premises, is of the opinion, and finds, that the prayer of said supplemental petition should be granted.

It is, therefore, ordered by the Public Utilities Commission of Illinois, That the order entered by this Commission on July 31, 1918, authorizing the Eastern Illinois Independent Telephone Company to sell, and David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers of the Central Union Telephone Company, to purchase, all of the property, including the exchanges at Kankakee, Manteno and Grant Park, Illinois, of the Eastern Illinois Independ-*

* See *supra*, p. 533.

ent Telephone Company for the sum of \$195,000, to be paid in cash, be, and the same is hereby, modified as to the payment of the purchase price, and the Eastern Illinois Independent Telephone Company hereby is authorized to accept as the purchase price for said property the sum of \$195,000, of which amount \$75,000 shall be paid in cash, and the remaining \$120,000 thereof shall be paid by said Receivers assuming \$120,000, par value, of the 5 per cent. first mortgage bonds of said Eastern Illinois Independent Telephone Company now outstanding and secured by deed of trust covering such property, said bonds maturing February 1, 1924.

It is further ordered, That the said order* of the Commission, entered on July 31, 1918, and all the terms and provisions thereof, except insofar as the same is hereby expressly modified, be, and the same is in all other respects, approved, ratified and confirmed.

By order of the Commission, at Springfield, Illinois, this sixteenth day of December, 1918.

In re JOINT APPLICATION OF FARMERS UNION TELEPHONE COMPANY AND DEKALB COUNTY TELEPHONE COMPANY FOR APPROVAL OF SALE AND PURCHASE OF PROPERTY IN KIRKLAND AND SOUTH OF IRENE.

Case No. 8274.

Decided December 16, 1918.

Sale of Property to Competitor Authorized — Property Rendered Useless by Unification Ordered Charged to Purchaser's Surplus or Deficit Account.

OPINION AND ORDER.

In this proceeding the Farmers Union Telephone Company and the DeKalb County Telephone Company, joint petitioners, are seeking the consent and approval of the Commission to the sale by the former and the purchase by

* See *supra*, p. 533.

C. L. 86]

the latter company of the telephone property belonging to the Farmers Union Telephone Company and located in Kirkland and vicinity, for a consideration of \$4,000 to be paid in cash.

A hearing upon said joint application was held in Chicago on September 12, 1918, at which hearing the petitioners appeared and presented their evidence. No one appeared objecting. From the evidence it appears that each of the petitioners is transacting a public utility business, rendering telephone service in DeKalb and Winnebago Counties, and that said petitioners are operating competing exchanges in Kirkland, DeKalb County; and that the DeKalb County Telephone Company is serving approximately 180 stations in Kirkland and vicinity and that the Farmers Union Telephone Company is serving approximately 70 stations in Kirkland and vicinity; that the lines of the DeKalb County Telephone Company in the township of Franklin, DeKalb County, in which Kirkland is located, and the lines of the Farmers Union Telephone Company in said township, parallel each other and cover the same territory; that there are about 20 stations in the competitive territory served by both companies, thus duplicating the telephone service.

It appears that heretofore in connection with Case No. 6944, being an *Application of the Farmers Union Telephone Company to Install and Operate a Telephone Exchange in the Village of Fairdale, DeKalb County, Illinois*, the engineering staff of the Commission made an appraisal of the property involved in this application. The present value of the property as determined by the engineering staff of the Commission at the date of appraisal, February 2, 1918, was \$6,713.37.

The Commission having fully considered the petition, exhibits and oral testimony, and being fully advised in the premises, finds that the interests of the public and of the joint applicants will be best served by a consolidation of the properties of the two companies in Kirkland and vicinity; that the proposed sale and purchase, if consum-

mated, will consolidate the properties in said territory, thus eliminating the expense to the public of duplicate service; that the proposed sale of the property of the Farmers Union Telephone Company in Kirkland and vicinity to the DeKalb County Telephone Company should be approved on the terms and conditions hereinafter set forth, and that the consideration therefor should be \$4,000 cash.

It is, therefore, ordered, That the Farmers Union Telephone Company be, and it is hereby, authorized to sell, and that the DeKalb County Telephone Company be, and it is hereby, authorized to purchase, all of the property of the Farmers Union Telephone Company lying south of the first road running east and west, south of the village of Irene in the township of Cherry Valley, Winnebago County, Illinois, and all of the property of the Farmers Union Telephone Company in DeKalb County, including the exchange at Kirkland and that part of a certain toll line running from Kirkland to Rockford, located within the above described boundaries, for the sum of \$4,000, to be paid in cash, said sale and purchase to be upon the terms and conditions hereinafter set forth.

It is further ordered, That the Farmers Union Telephone Company, upon the sale and transfer of its property as herein authorized, shall reduce its plant account by crediting thereto the sum of \$4,000; and said company shall hold in its treasury, subject to the further order of the Commission, the funds received in consideration of the property sold, amounting to \$4,000.

It is further ordered, That the DeKalb County Telephone Company shall, upon merging the two systems, determine, as nearly as possible, the proportionate amount of such cost, represented by property, that, by reason of duplications, will be useless in a unified system and, after making due allowance for the value of material and instruments, shall charge the balance to its corporate surplus or deficit account.

C. L. 86]

It is further ordered, That the authority herein granted be given under the following conditions and not otherwise:

1. That the complete transfer of the property to be sold and purchased, as herein provided, shall be effected within sixty days from the date of this order.

2. That upon the completion of said sale and purchase the DeKalb County Telephone Company shall make a verified report (in duplicate) of the same to this Commission.

3. That upon effecting a complete transfer of said property, said Farmers Union Telephone Company shall be permitted and required to discontinue the operation of its telephone exchange and system in the village of Kirkland and vicinity, and shall file with this Commission a certificate of such discontinuance.

4. That the property to be acquired, as aforesaid, shall never be capitalized by the DeKalb County Telephone Company in an amount exceeding the sum of \$4,000.

5. That upon the completion of the sale and purchase, and the transfer of the property by the Farmers Union Telephone Company to the DeKalb County Telephone Company, the latter company shall cause the two exchanges at Kirkland to be physically merged in such manner as to inconvenience in the least possible degree the patrons of the service.

6. That said sale and purchase shall be consummated by the execution and delivery of good and sufficient deed or instrument of conveyance, a copy of which, duly certified, shall be filed with this Commission within fifteen days from the consummation of said sale, and that said sale and purchase shall not be complete until said copy of conveyance shall be filed with this Commission.

By order of the Commission, at Springfield, Illinois, this sixteenth day of December, 1918.

In re APPLICATION OF CHARLES T. SMILEY, DOING BUSINESS
AS LEBANON TELEPHONE EXCHANGE, FOR AN ORDER
AUTHORIZING INCREASE IN RATES IN LEBANON AND
VICINITY.

Case No. 8430.

Decided December 16, 1918.

**Increase in Rates Authorized — 6 Per Cent. Fixed for Reserve for
Depreciation — Valuation Made.**

OPINION AND ORDER.

The application filed herein sets forth that petitioner is a public utility, engaged in the operation of a telephone system in Lebanon, St. Clair County, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities. The present telephone rates in Lebanon and vicinity are as follows:

	<i>Per Annum</i>
Business, individual line, stations.....	\$24 00
Residence, individual line, stations.....	18 00
Residence, two-party line, stations.....	15 00
Residence, four-party line, stations.....	12 00
Extension telephones	6 00
Desk telephones, residence or business, extra.....	3 00
Automatic instruments, extra.....	3 00
Rural, multi-party line, stations.....	12 00
Extra listing, per line.....	6 00
Extension bells	3 00
Push buttons and buzzer.....	2 00
Rural line, when equipment and lines are owned by subscribers, switching only	5 00

The application asks for the issuance of an order authorizing the discontinuance of the rates now in effect and the placing in effect of the following:

C. L. 86]

PROPOSED SCHEDULE.

	<i>Per Annum</i>
Business, individual line, stations.....	\$33 00
Residence, individual line, stations.....	27 00
Residence, two-party line, stations.....	24 00
Residence, four-party line, stations.....	21 00
Extension telephones	6 00
Desk telephones, residence or business, extra.....	3 00
Automatic instruments, extra	4 50
Rural, multi-party, stations (up to 18 per line).....	21 00
Subscriber to pay a part of the cost of construction of line, no less than 3 to a mile.	
Extra listing, per line.....	6 00
Moving charge, actual cost.	
Extension bells	3 00
Push buttons and buzzer.....	2 00
Rural line, when equipment and lines are owned by subscribers, switching only	5 00
Discount applying to rates for business and residence stations, when payment is made monthly on or before the tenth of the month in which the service is rendered, per month.....	25

The matter came on for hearing before the Commission on September 3, 1918. The Lebanon Telephone Exchange was represented by *Bruce A. Campbell*, attorney; no objectors to proposed rates appearing. The petitioner introduced, as exhibits, an inventory and appraisal of plant, a comparative statement showing operating revenue and expenses for the year ending December 31, 1917, with a comparison of revenue under the present rates and the estimated revenue under the proposed rates, together with proof of publication of a notice of intention to apply for authority to advance rates.

The plant is of the magneto type, with metallic circuits to all subscribers' stations, and the exhibits show that service is being furnished to 213 subscribers, classified and distributed as follows:

Business, individual line, stations.....	35
Residence, individual line, stations.....	8
Residence, two-party line, stations.....	3
Residence, four-party line, stations.....	131
Rural, multi-party, stations.....	31
Automatic instruments	1

The inventory submitted has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, using average prices of labor and material for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$16,427. The reproduction cost new, less depreciation, including the present stock of materials and supplies, is \$11,552.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to the several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$1,089. The average operating expense for the years 1916 to 1917, including \$300, the average annual allowance made by petitioner to provide a reserve against depreciation, is \$3,273. The average total operating revenue, for the same period, is \$3,315. Including an allowance adequate to provide a proper reserve for depreciation, as fixed by the Commission, the average operating result, therefore, for the years 1916 and 1917, is a deficit of \$747.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, and making due allowance for the necessary working capital, and including present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Lebanon and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, at least is \$13,875 as of June 1, 1918.

The Commission is also of the opinion, and finds, after careful consideration, that a sum equal to 6 per cent. of the cost to reproduce the entire physical property, using average prices for labor and material, based upon the five-year period 1912 to 1916, inclusive, plus 6 per cent. of the cost of all additions made in the future, should be set aside annually to provide a reserve for depreciation.

C. L. 86]

Should the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rate schedule, the total annual operating revenue will be increased approximately \$1,117. Including a proper allowance to provide an adequate reserve against depreciation, as determined by the Commission, this will assure a return, over all expenses, of approximately \$371, which is 2.7 per cent. of the valuation fixed by the Commission as of June 1, 1918, as a basis for rate-making.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That Charles T. Smiley, doing business as the Lebanon Telephone Exchange, be, and he hereby is, authorized to discontinue the schedule of rates now in effect in Lebanon and vicinity and to substitute therefor the following:

	<i>Per Annum</i>
Business, individual line, stations.....	\$33 00
Residence, individual line, stations.....	27 00
Residence, two-party line, stations.....	24 00
Residence, four-party line, stations.....	21 00
Extension telephones	6 00
Desk telephones, residence or business, extra.....	3 00
Automatic instruments, extra.....	4 50
Rural, multi-party, stations (up to 18 per line).....	21 00
Subscriber to pay a part of the cost of construction of line, no less than 3 to a mile.	
Extra listing, per line.....	6 00
Moving charge, actual cost.	
Extension bells	3 00
Push buttons and buzzer.....	2 00
Rural line, when equipment and lines are owned by subscribers, switching only	5 00
Discount applying to rates for business and residence stations, when payment is made monthly on or before the tenth of the month in which the service is rendered, per month.....	25

Section 2. That Charles T. Smiley, doing business as the Lebanon Telephone Exchange, set aside annually, as a reserve against depreciation, a sum which is not less than 6 per cent. of the cost to reproduce the entire physical prop-

erty in Lebanon and vicinity new, based upon average prices for labor and material for the five-year period 1912 to 1916, inclusive, plus 6 per cent. of the cost of all additions made in the future.

Section 3. That the schedule of telephone rates authorized herein shall be filed, posted, and published by petitioner, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois: that it shall be designated as I. P. U. C. 1, and shall become effective December 1, 1918.

By order of the Commission, at Springfield, Illinois, this sixteenth day of December, 1918.

In re PROPOSED ADVANCE IN RATES FOR SERVICE IN MOUNT AUBURN AND VICINITY OF THE MOUNT AUBURN TELEPHONE COMPANY.

Case No. 8495.

Decided December 16, 1918.

Increase in Rates Authorized — Toll Rate in Lieu of Free Interexchange Service Authorized — 6.2 Per cent. Fixed for Reserve for Depreciation — 7.4 Per Cent. for Rate of Return Disapproved — Valuation Made.

Applicant, which operated a magneto type plant with grounded circuits to all except individual business stations, which are metallic, and served 226 subscribers in Mount Auburn and vicinity, filed a schedule increasing rates by from \$3.00 to \$5.00 per year. The inventory showed a reproduction cost new, using average prices based upon the five-year period. 1912 to 1916, and including materials and supplies, of \$16,742, and a reproduction cost new, less depreciation, of \$12,413, while the actual annual depreciation was estimated at \$1,008. The Commission found that, allowing a proper reserve for depreciation, the operations in 1916 and 1917 and the last six months of 1915 resulted in an average annual net income of \$568.

Held: That taking into consideration every fact and circumstance bearing on the value, including working capital, materials and supplies,

* See Commission Leaflet No. 54, p. 21.

C. L. 86]

the fair value of the property used and useful in furnishing service, and the business attached thereto, including every element of value, tangible and intangible, was at least \$14,937 as of July 1, 1918;

That a sum equal to 6.2 per cent. of the cost to reproduce the entire physical property, using average prices for labor and material based upon the five-year period, 1912 to 1916, inclusive, plus 6.2 per cent. of the cost of all additions made in the future, should be set aside annually to provide a reserve for depreciation;

That since the rates proposed by petitioner would produce an annual probable net income of approximately \$1,102, which would be 7.4 per cent. of the value fixed, the proposed rates were not justified, and a modification thereof should be made which would produce a probable annual increase in revenue of approximately \$114, which with the indeterminate increase which would be derived from toll revenues after a proposed toll rate of 10 cents per message was established from Mount Auburn to Blue Mound, would probably produce a net income of \$681, or 4.7 per cent., plus such toll rates;

That as applicant's toll plant consisted of one-half ownership of single metallic circuits from Mount Auburn to Blue Mound and from Mount Auburn to Illiopolis, the revenue realized and to be realized from toll rates should be credited largely to the local plant;

That a proposed 10-cent toll charge between Mount Auburn and Blue Mound should be authorized, which would have the desirable effect of eliminating a large part of unnecessary present free traffic over this circuit, averaging at present 70 calls per day, and would result in an increase in revenue.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Mount Auburn, Christian County, and vicinity, having been filed by the Mount Auburn Telephone Company, and a hearing before the Commission on the matter being necessary, an order was entered, suspending the placing in effect of the proposed rates until January 28, 1919. The present rates are as follows:

	<i>Per Annum</i>
Individual business stations.....	\$18 00
Individual residence stations.....	15 00
Party line residence stations.....	12 00
Rural multi-party business stations.....	15 00
Rural multi-party residence stations.....	15 00
Extension bells	3 00
Extension telephones	6 00
Cash discount for advance payment, rural telephones.....	3 00
Toll rate, Mount Auburn to Blue Mound.....	Free service.

The schedule filed proposes to discontinue the present rates and to establish, in lieu thereof, the following:

Individual business stations	\$21 00 per annum
Individual residence stations	18 00 per annum
Party line residence stations	15 00 per annum
Rural multi-party business stations.....	20 00 per annum
Rural multi-party residence stations.....	18 00 per annum
Extension bells	3 00 per annum
Extension telephones	6 00 per annum
Cash discount for advance payment:	
City telephones	15 per month
Rural telephones	2 00 per annum
Toll rate, Mount Auburn to Blue Mound, first 5 minutes or fraction thereof.....	10 per message
Cash discount allowed on rental paid in advance only.	

The matter came on for hearing before the Commission on September 17, and on October 29, 1918. The Mount Auburn Telephone Company was represented by *Lawrence C. Wheat*, attorney. The objectors to the proposed advance in rates were represented by *J. D. Henderson* and *J. F. McCool*. Petitioner introduced, as exhibits, an inventory and appraisal of plant, annual revenue and expense statements for the years 1914 to 1917, inclusive, and proof of publication of a notice of intention to apply for an advance in rates. Testimony offered tends to show that the rates now in effect do not provide sufficient revenue to cover operating expenses, provide adequate reserve against depreciation, and pay a reasonable return.

On July 1, 1918, the company was furnishing service to telephone stations classified and distributed as follows:

	Per Annum	
Individual business stations	16 at	\$18 00
Individual residence stations	20 at	15 00
Party line residence stations.....	50 at	12 00
Rural multi-party residence stations.....	140 at	15 00

The plant is of the magneto type, with grounded circuits to all except individual business stations, which are metallic.

C. L. 86]

The inventory submitted has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, using average prices for labor and material, based upon the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$16,742. The reproduction cost new, less depreciation, and including the present stock of materials and supplies, is \$12,413.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its several component parts. These show that the value of the annual depreciation occurring in the entire physical portion of the plant is approximately \$1,008. The average operating expense for the years 1916 and 1917, and the last six months of 1915, including an average annual allowance of \$631 made by petitioner to provide a reserve against depreciation, is \$2,746. The average total gross operating revenue for the same period is \$3,876. This includes average annual commissions paid to other companies of \$187, leaving a net operating revenue applicable to operating expense, depreciation and return of approximately \$3,691. Including an allowance adequate to provide a proper reserve for depreciation, as fixed by the Commission, the average operating result, therefore, for the years 1916 and 1917 and the last six months of 1915, is a net income of \$568.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital, and including present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Mount Auburn and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, is at least \$14,937, as of July 1, 1918.

The Commission is also of the opinion, and finds, after careful consideration, that a sum equal to 6.2 per cent. of the cost to reproduce the entire physical property, using

average prices for labor and material, based upon the five-year period, 1912 to 1916, inclusive, plus 6.2 per cent. of the cost of all additions made in the future, should be set aside annually to provide a reserve for depreciation.

The average annual revenue shown to have been realized during the period of two and one-half years from July 1, 1915, to December 31, 1917, includes an item of \$753 derived from tolls. The items of toll plant included in the property cover one-half ownership of single metallic circuits from Mount Auburn to Blue Mound, and from Mount Auburn to Illiopolis, only. It is obvious, therefore, that the revenue now realized from toll, as well as the probable increase in toll revenue due to the establishment of a toll rate of 10 cents per call on messages from Mount Auburn to Blue Mound, is largely to be credited to the local plant.

Testimony shows that, for a period of one hundred and twenty-seven days the average daily number of calls from Mount Auburn to Blue Mound is 70. Since these calls are free, it is reasonable to assume that this traffic will be greatly reduced when a toll rate between these points has been established. There is no doubt, therefore, that the present toll revenue will be augmented by such additional revenue as will result from the establishment of a 10-cent toll charge between Mount Auburn and Blue Mound. Such a toll charge will also have the desirable effect of eliminating a large part of the unnecessary present traffic over this circuit.

Since the rates proposed by the petitioner will produce an annual probable net income of approximately \$1,102, which is 7.4 per cent. on the valuation fixed by the Commission as of July 1, 1918, for rate-making purposes, the Commission, after carefully considering the matter and giving due weight to all factors involved, is of the opinion, and finds, that said proposed rates are not justified, but that a modification thereof will produce a probable annual increase in operating revenue of approximately \$114, plus an additional indeterminate increase which will be derived from toll revenues after the proposed toll rate of 10 cents

C. L. 86]

per message is established from Mount Auburn to Blue Mound. This is sufficient to permit of an annual allowance being set aside for a reserve against depreciation, to cover operating expenses, and afford a reasonable return.

Under the modified schedule of rates, an estimated annual net income of approximately \$681, plus an indeterminate amount derived from tolls when proposed rate to Blue Mound is established, will be realized, which is, without including increased toll revenues, 4.7 per cent. on the valuation as fixed by the Commission as of July 1, 1918, for rate-making purposes.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the proposed rates for telephone service in Mount Auburn and vicinity, stated in Rate Schedule I. P. U. C. 1 of the Mount Auburn Telephone Company, be, and the same are hereby, permanently suspended.

Section 2. That the Mount Auburn Telephone Company be, and the same hereby is, authorized to discontinue the schedule of rates now in effect in Mount Auburn and vicinity and to substitute therefor the following modification of the schedule proposed:

Individual business stations	\$21 00 per annum
Individual residence stations	18 00 per annum
Party line residence stations	15 00 per annum
Rural multi-party business stations.....	20 00 per annum
Rural multi-party residence stations.....	15 00 per annum
Extension bells	3 00 per annum
Extension telephones	6 00 per annum
Cash discount for advance payment:	
City telephones	15 per month
Rural telephones	2 00 per annum
Toll rate, Mount Auburn to Blue Mound, first 5 minutes or fraction thereof.....	10 per message
Cash discount allowed on rental paid in advance only.	

Section 3. That the Mount Auburn Telephone Company set aside annually, as a reserve against depreciation, a sum equal to 6.2 per cent. of the cost to reproduce the entire physical property, using prices for labor and material based

upon a five-year average, 1912 to 1916, inclusive, plus 6.2 per cent. of the cost of all additions made in the future.

Section 4. That the schedule of telephone rates authorized herein shall be filed, posted and published by the Mount Auburn Telephone Company, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois; that it shall be designated as I. P. U. C. 1, and shall become effective December 10, 1918.

By order of the Commission, at Springfield, Illinois, this sixteenth day of December, 1918.

In re APPLICATION OF EGYPTIAN MUTUAL TELEPHONE COMPANY, TEMPLE HILL, ILLINOIS, AND SIMPSON MUTUAL TELEPHONE COMPANY, ROCK, ILLINOIS, FOR APPROVAL OF INTERCORPORATE AGREEMENT.

Case No. 8556.

Decided December 16, 1918.

**Contract for Physical Connection Approved — Establishment of Inter-
exchange Connecting Circuit with Free Toll Service for Subscribers
Authorized — Toll Charge for Non-subscribers Fixed — Division
of Tolls Prescribed — Provision for Installation in Railroad
Station of Telephone Connected to Circuit, Proceeds
to go to One Company Only, Approved—Companies
Ordered to File Schedule of all Joint Toll Rates.**

OPINION AND ORDER.

An intercorporate contract, in duplicate, between the Egyptian Mutual Telephone Company, of Temple Hill, Illinois, and the Simpson Mutual Telephone Company, of Rock, Illinois, both Illinois corporations, covering the establishment and joint operation of a jointly owned inter-exchange connecting circuit, is submitted to the Commission for approval.

* See Commission Leaflet No. 54, p. 21.

It appears that the contracting parties have arranged to establish physical connection between their telephone systems in Temple Hill and Rock, respectively, and that a mutual agreement has been executed to assure the construction of the circuit and to cover its operation.

In the contract, the Egyptian Mutual Telephone Company agrees to build that portion of the proposed circuit extending from its exchange at Temple Hill to an intermediate point, the residence of Willie Sistler, Jr., and the Simpson Mutual Telephone Company agrees to build the remaining portions from its exchange at Rock, Illinois, and to connect at the intermediate point with the circuit built by the Egyptian Mutual Telephone Company.

It is further agreed that the completed circuit between the two exchange systems shall be used as a means of furnishing free interexchange toll service for the subscribers of each company, but that a uniform toll rate shall be established for all messages sent over the said circuit by non-subscribers of either company.

It is further agreed that the Egyptian Mutual Telephone Company may install a telephone instrument in the railroad station located at Brownfield, Illinois, an intermediate point, and that said Egyptian Mutual Telephone Company may receive all the proceeds therefrom.

The Commission having duly considered the contract submitted, and being fully advised in the premises, finds: that both parties are public utilities; that the terms of the contract submitted for approval are just and equitable; that the establishment of the proposed interexchange telephone circuit is in accord with public policy; and that said contract should therefore be approved.

It is, therefore, ordered, That the intercorporate agreement covered by contract entered into by the Egyptian Mutual Telephone Company, of Temple Hill, Illinois, and the Simpson Mutual Telephone Company, of Rock, Illinois, covering the establishment and joint operation of a physical connection between the telephone systems of the contracting parties at Temple Hill and Rock, respectively, dated August

27, 1918, copy of which is attached to, and made a part of, the records herein, be, and the same is hereby, approved, under the following conditions, to-wit:

1. That the said circuit establishing physical connection between the two exchanges shall be completed within ninety days from date hereof.

2. That service to subscribers of the Egyptian Mutual Telephone Company or the Simpson Mutual Telephone Company, respectively, between the connected exchanges of the two companies shall be free.

3. That a uniform rate of 10 cents for each message of three minutes' duration or less, with an additional charge of 5 cents for each additional two minutes, shall be collected and paid by all non-subscribers making use of the inter-exchange circuit.

4. That the company on whose lines any given toll messages originate shall, in each case, receive 25 per cent. of the total charge, the balance to be divided between the two contracting parties in proportion to the actual mileage owned by each, respectively, in the jointly owned toll circuit.

5. That the Egyptian Mutual Telephone Company and the Simpson Mutual Telephone Company, respectively, file with the Public Utilities Commission, within thirty days from date hereof, a schedule of all the established joint toll rates now in effect from each and all of their several exchanges.

By order of the Commission, at Springfield, Illinois, this sixteenth day of December, 1918.

INDIANA.

Public Service Commission.

In re PETITION OF NOBLE COUNTY TELEPHONE COMPANY,
ALBION, FOR AUTHORITY TO INCREASE RATES.

No. 3981.

Decided November 6, 1918.

**Increase in Rates, War Conditions Considered, Authorized — 5 Per Cent.
Fixed for Reserve for Depreciation — 6 Per Cent. Fixed as Rate of
Return — Valuation Made Using Cost Averages Which
Excluded Present High Prices — Discrimination as to
Independent Residence Rate Eliminated.**

Applicant sought authority to increase its rates at Albion. The Commission's engineers found the reproduction cost new, less depreciation, to be \$52,685. The operating revenues for the year ended June 30, 1918, were \$11,114.33, and after deducting operating expenses and allowing a reserve for depreciation of \$1,800, the net revenues were \$3,063.42.

Held: That, considering that an allowance of \$850 should be made for increases in operating expenses, and that a reserve for depreciation of 5 per cent. on \$43,000 should be provided, or an additional sum of \$350, the income of the company, under present rates, would provide a return of but 4.1 per cent., which return was considered insufficient, and an increase in rates should be authorized;

That in normal times, a return of 7 per cent. had usually been allowed, but under existing conditions utilities could not expect to earn the full return of normal times, and a return of 6 per cent. would be considered reasonable;

That the valuation made by the engineers reflected the application of war-time costs through the use of annual averages including the abnormal high prices now prevailing, and the Commission found that \$45,000 more nearly represented the reasonable value of the property for rate-making purposes;

That an increase of the independent residence service rate from \$1.00 to \$1.35 per month would remove the discrimination now existing in such rate, the present rate being \$1.00 per month for such service and also for rural party line service.

OPINION AND ORDER.

Petitioner owns and operates a telephone system in Noble County, Indiana, with its principal place of business at Albion.

It is averred

[Ind.]

"that on account of the increased cost of materials and labor, it is no longer possible to keep up the lines and equipment and render efficient service upon the present rates,"

and authority is asked to increase rates to meet the just needs of the company..

After due notice to the officials, commercial organizations and newspapers of Albion, a hearing was held at the court house at Albion on the twenty-seventh day of July, 1918.

An appraisal of the company's property and an audit of its books have been made by the Commission's staff.

The engineers found the present physical value of petitioner's property to be \$52,685. This evaluation, representing the cost of reproduction new less depreciation, reflects the application of war-time costs through the use by the engineers of annual averages, including the abnormally high prices now prevailing. It is believed by the Commission that \$45,000 more nearly represents the reasonable value of petitioner's property for rate-making purposes.

The audit of petitioner's books shows the income account for the year ending June 30, 1918, to be as follows:

INCOME ACCOUNT JULY 1, 1917, TO JUNE 30, 1918.

<i>Gross Revenues</i>		\$11,114 33
<i>Operating Expenses:</i>		
Maintenance	\$1,860 67	
Depreciation	1,800 00	
Traffic	2,692 77	
Commercial	105 80	
General expense	1,034 51	
Taxes	438 11	
Uncollectable revenue	119 05	
		<hr/>
TOTAL OPERATING EXPENSES		8,050 91
		<hr/>
NET REVENUES		\$3,063 42

C. L. 86]

The evidence disclosed increases in operating expenses over those of the past fiscal year aggregating not less than \$850 annually. A depreciation rate of 5 per cent. on \$43,000 of depreciable property should be provided. This will permit petitioner to set aside \$2,150 annually for depreciation. During the past fiscal year petitioner charged but \$1,800 to depreciation. Allowance should therefore be made for \$350 increase in the depreciation allowance. Considering but these two items, namely, \$850 increase in operating expenses and \$350 additional for depreciation, and assuming the same revenues, petitioner's income account for the current year under existing rates will be approximately as follows:

Gross revenues	\$11,114 33
Total operating expenses, including depreciation.....	9,250 00
Leaving net revenues of.....	\$1,864 33

which would provide a return of but 4.1 per cent. on the value of petitioner's property. Such a return is insufficient.

The Commission has generally limited the earnings of utilities during the war period to approximately 6 per cent. on the value of the property dedicated to such use. In normal times the Commission has usually allowed a 7 per cent. return, but under existing conditions utilities cannot expect to earn the full return of normal times.

Petitioner's telephones and rates are classified as follows:

	<i>Number of Telephones</i>	<i>Rate per Month</i>
Independent business telephone.....	58	\$1 50
Independent residence telephone	162	1 00
Rural party telephone.....	561	1 00

An increase in the rate for independent business telephones from \$1.50 to \$1.75 per month, and in the rate for independent residence telephones from \$1.00 to \$1.35 per month, will remove the discrimination existing in the latter rate, and will provide approximately \$800 additional reve-

nue annually, and permit petitioner to earn approximately 6 per cent. on the value of its property.

The Commission finds, therefore, that the existing schedule of rates of petitioner are insufficient and discriminatory, and that such rates should be increased, and the existing discriminations removed. The Commission is of the opinion, however, that the increases herein provided should be temporarily effective and subject to such readjustments as future conditions demand.

It is, therefore, ordered by the Public Service Commission of Indiana, That petitioner be, and it is hereby, authorized temporarily to impose and collect in lieu of rates now in force, the following schedule of rates and charges:

	<i>Per Month Per Telephone</i>
Independent business telephone	\$1 75
Party business telephone	1 35
Independent residence telephone.....	1 35
Party residence telephone including rural party telephones, (not to exceed 10 parties to the line).....	1 00

It is further ordered, That such rates shall apply to service rendered on and after November 1, 1918, and shall continue in force until the further order of the Commission, not to exceed, however, November 1, 1920.

It is further ordered, That petitioner shall set aside annually for depreciation 5 per cent. of the value of its depreciable property, which upon present values amounts to \$2,150 annually.

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund should be invested, and if invested, such investment shall be made in government or other high grade listed securities which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may

C. L. 86]

borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property — items properly chargeable to capital account — but, in such event, petitioner shall pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

It is ordered by the Commission, That within ten days from the date of this order petitioner shall pay to the Treasurer of the State of Indiana, the following sums of money for the expenses incurred by the Commission in this case:

APPRAISAL:

<i>Name</i>	<i>Days</i>	<i>Salary</i>	<i>Hotel</i>	<i>Railroad Fare</i>	<i>Total</i>
K. V. Wenger.....	7	\$42 00	\$5 50	\$8 32	\$55 82
AUDIT:					
Fred E. Swaim.....	3	14 43	6 75	8 33	29 51
TOTAL EXPENSES					\$85 32

November 6, 1918.

In re APPLICATION OF RUSHVILLE CO-OPERATIVE TELEPHONE COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT, OPERATE AND MAINTAIN AN EXCHANGE WITHIN THE INCORPORATED TOWN OF GLENWOOD.

No. 4026.

Decided November 6, 1918.

Certificate of Convenience and Necessity to Operate an Exchange in Competition with Two Established Lines, Granted in View of Local Conditions.

OPINION AND ORDER.

On the twentieth day of July, 1918, the Rushville Co-operative Telephone Company filed a petition with the Public Service Commission of Indiana praying a certificate of convenience and necessity to construct, operate and maintain a telephone exchange, plant and system in the town of Glenwood, Indiana. The town board of trustees of said town of Glenwood, by the town clerk, joined in the prayer of said petition.

Due and timely notices were issued and served upon the proper town officials of the town of Glenwood, the newspapers published in Rushville, the Falmouth Mutual Telephone Company of Falmouth, the Orange Mutual Telephone Company of Orange, and the petitioner, that the matters contained in the petition would be heard in the town of Glenwood, Indiana, at 10 o'clock A. M., Monday, October 28, 1918.

It appears from the evidence that the incorporated town of Glenwood is located on the county line dividing the counties of Rush and Fayette, and has a population of approximately 300, with 7 business houses, 3 churches and a school house. There has never been a telephone exchange, plant and system located within the town of Glenwood. Approximately one-half of the 35 subscribers receiving telephone service and residing within the corporate limits of said town receive said service from the

C. L. 86]

Falmouth Mutual Telephone Company of Falmouth, Indiana, approximately 7 miles north of the town of Glenwood, and the remaining one-half receive the service from the Orange Mutual Telephone Company of Orange, Indiana, located about 3 miles south of said town of Glenwood; that the service is wholly inadequate and insufficient; that subscribers residing in said town can only communicate with each other by going long distances through the aforesaid exchanges.

It further appears that the Indianapolis and Cincinnati Traction Company has a 33,000 volt high tension line and a 2300 volt trolley line extending through said town crossing and paralleling the aforesaid telephone grounded line, making it impossible at times to render service.

During the hearing the president of the town board testified that there was no objection to the granting of the prayer of the petition, that they had instructed the town clerk to sign the petition for the town asking that a certificate of convenience and necessity be granted.

It further appears that the said Falmouth Mutual Telephone Company and the Orange Mutual Telephone Company both received notice of the time and place of the hearing, but no person whomsoever from either of the aforesaid companies, or from the town of Glenwood, did appear to or did in any manner protest against the granting of the prayer of the petition.

The fact that neither of the aforesaid telephone companies now serving said town of Glenwood appeared to or did in any way protest against the issuance of a certificate of convenience and necessity would indicate little objection to the granting of the prayer of the petition.

The Public Service Commission of Indiana having heard the evidence in the above-entitled cause, and being fully advised in the premises, finds that public necessity and convenience demand another and like utility in the incorporated town of Glenwood, Indiana, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Rushville Co-operative Telephone Company of Rushville, Indiana, is hereby authorized to construct, operate and maintain a telephone exchange, plant and system in the incorporated town of Glenwood, Indiana.

November 6, 1918.

In re PETITION OF PRAIRIE TELEPHONE COMPANY OF BROOKSTON FOR AUTHORITY TO ESTABLISH VACATION RATES.

No. 4259.

Decided November 7, 1918.

Establishment of Reduced Vacation Rates Authorized.

OPINION AND ORDER.

On November 20, 1918, the Prairie Telephone Company filed a petition with the Public Service Commission of Indiana, for authority to file a supplemental schedule providing for a rate of one-half of the present rate, for patrons who are absent from their homes at various times during the year.

In view of the fact that petitioner has asked permission of the Public Service Commission of Indiana, to reduce its rates to its subscribers who are away from their home for a period of one month or longer, to one-half the present rate, the Commission sees no reason why it should deny the prayer of petitioner. In granting the authority herein sought, the Commission does not bind itself to any arrangement nor does it establish a precedent of this kind. In this matter the petitioner is offering voluntarily to reduce rates. The Commission will permit such reduction, but this action is not to be interpreted as indicating a general policy on the part of the Commission in the adoption of such a rate, upon application of subscribers.

The Public Service Commission of Indiana, being fully

C. L. 86]

advised in the matter, is of the opinion that the prayer of the petitioner should be granted, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Prairie Telephone Company of Brookston, Indiana, is hereby and herein authorized to file a supplemental schedule with the Public Service Commission, of its rates, tolls and charges, providing for a charge of one-half of the rate in effect to all subscribers who are absent and away from their homes for one month or longer.

It is further ordered, That the subscribers desiring this vacation rate shall serve notice on petitioner in advance, in order to obtain the reduced rate.

Said schedule of rates, tolls and charges to be in force and effect January 1, 1919, and thereafter.

December 7, 1918.

In re APPLICATION OF HOPE INDEPENDENT TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES AT HOPE AND HARTSVILLE.

No. 4951.

Decided December 4, 1918.

**Increase in Rates Denied—Amount Allowable for Manager's Salary
Fixed—Penalty for Delayed Payment of Bills Authorized—
System of Accounts Prescribed by Commission Ordered
Installed—Certain Valuation Items Disapproved.**

Applicant sought authority for an increase in rates at its exchanges at Hope and Hartsville. The company was reorganized in 1915 with a capitalization of \$5,000 common stock and \$16,500 preferred stock, all of the common stock, except qualifying directors' shares, being owned by the president and general manager.

A combined appraisal and audit submitted by the company placed a value of \$51,358.95 on the plant, including \$4,500 for real estate and buildings, \$1,067.60 for tree trimming, \$500 for right-of-way, and \$3,406.65 for materials and supplies, tools, garage equipment and office equipment. The garage equipment included two Ford automobiles appraised at \$900, which were used to a considerable extent personally by the manager's family. The engineer's estimate also included an overhead engineer-

ing capital expense of \$6,163.07, and going value of \$5,752.20. The company was purchased five years ago by its present owner at a net outlay of approximately \$24,500. Since that time, assuming the present value of the plant to be \$51,358.95 as estimated by the company's engineers, the company has paid a fair return on \$16,500, all operating expenses, and reserve for depreciation in the last two and a half years, given the owner of the common stock \$1,357.30 excess salary as manager, and has accumulated surplus earnings of approximately \$27,000 which were reinvested in additions and extensions to the plant. An audit of the books by the Commission showed that the manager drew money for his personal use, no salary having ever been definitely fixed, and the methods of bookkeeping were such that it was very difficult to distinguish between the manager's personal interests and the company's interests.

Held: That the increase in rates should be denied as no increase should be granted until applicant's financial affairs were properly reorganized;

That the manager's salary ought to be fixed definitely, and as the company's engineer testified that a fair salary would be \$1,500, the Commission would estimate it on that basis;

That a penalty of 15 cents for failure to pay bills promptly in Hope and Hartsville should be authorized, and that a penalty of 25 cents per quarter should be authorized for failure to pay bills for service furnished in the country;

That the method of accounting was very careless, and the Uniform System of Accounts as prescribed by the Commission should be installed;

That the allowance for tree trimming and right-of-way in estimating the value of the plant was strictly arbitrary, and the allowance for overhead engineering, capital expense, and going value was wholly imaginary.

OPINION AND ORDER.

On July 30, 1918, the Hope Independent Telephone Company filed its petition with the Public Service Commission of Indiana averring that it is a public utility engaged in the operation of a telephone plant and system in the town of Hope, Bartholomew County, Indiana; that it also maintains an exchange at the village of Hartsville; that on January 1, 1918, it had on file with this Commission its schedule of rates, tolls and charges known as P. S. C. I. No. 1; that its schedule of rates, tolls and charges fails to provide sufficient revenue to meet necessary operating expenses, depreciation and return on investment; that charges for telephone service in many cases are not paid when due, petitioner's collection expense is unduly large

C. L. 86]

and that a penalty ought to be imposed for delayed payment; wherefore petitioner prayed the Commission to increase its rates and charges and to give such other relief as may be found just and proper.

Matters averred in said petition were heard on September 25, 1918, and on October 4, 1918, at the State House, Indianapolis, Indiana. At the first hearing *Foster V. Smith* appeared for petitioner and *J. M. Morgan*, town attorney, appeared for the town of Hope and for certain protestants who were not otherwise represented.

The evidence presented in the hearing of this cause shows that the Hope Independent Telephone Company consists of exchanges at Hope and Hartsville, serving a territory in Bartholomew, Shelby and Decatur Counties and has 588 telephones in active use. With one or two exceptions the system consists of full metallic circuits. Petitioner company was incorporated in 1905. It was reorganized in 1913 with a capitalization of \$5,000 common stock and \$16,500 preferred stock. All of the common stock, except qualifying directors' shares, is owned by the president and general manager. The preferred stock was issued in liquidation of current indebtedness outstanding at the time of the reorganization.

A combined appraisal and audit was submitted on behalf of petitioner company, the appraisal having been made by E. L. Kline, and the audit by E. V. Hanes, both of the Indianapolis Telephone Company. Petitioner's engineers placed a value of \$51,358.95 on the plant, including \$4,500 for real estate and buildings, \$1,067.60 for tree trimming, \$500 for right-of-way and \$3,406.65 for materials and supplies, tools, garage equipment and office equipment. The allowance for tree trimming and right-of-way is strictly arbitrary. No expenditures were shown to have been made except those which presumably were made out of current revenue as an operating expense and not to the exclusion of dividends. The garage equipment includes two Ford automobiles appraised at \$900, which the evidence shows are used to a considerable extent personally by the man-

ager's family. To the sum of \$51,358.95, petitioner's engineer added an overhead engineering capital expense of \$6,163.07 and going value of \$5,752.20, the first at the rate of 12 per cent. and the second at the rate of 10 per cent. and both of which the Commission believes to be wholly imaginary in the instant case.

The history of the company is fairly clear. Five years ago the petitioner company was purchased by its present owner at a net outlay of approximately \$24,500. The present manager traded a farm of 320 acres in Switzerland County which, on a liberal estimate, was worth not to exceed \$13,500 and mortgaged to the extent of \$3,500, for all of the property of the Hope Independent Telephone Company, in addition to which there was received 20 acres of land near the town of Hope, worth probably \$2,000. Since that time, assuming the present value of the plant for rate-making purposes to be its stripped structural value of \$51,358.95, as estimated by petitioner's engineers, petitioner has paid a fair return on \$16,500, all operating expenses and depreciation in the last two and a half years, [to] the owner of the common stock \$1,357.30 excess salary as manager, and over the entire five-year period has accumulated surplus earnings of approximately \$27,000, which have been reinvested in additions and extensions to the plant.

The evidence shows the most careless methods of accounting. The manager has drawn from the treasury of the telephone company from time to time as he needed it, money for his personal use, his salary never having been definitely fixed. Subsequent to the final hearing of this cause the Commission had an investigation of petitioner's books made by its own auditors. The following is quoted from the report of the accounting department:

"The compiling of data with reference to the business of the company has been extremely difficult and such data as is presented is only approximately correct.

This is practically a one-man company. The receipts and expenditures are so closely interwoven with the personal affairs of Mr. Geo. W. Dorrell that an accurate division of expenses according to requirements of the Commission is almost an impossibility.

C. L. 86]

No salary seems to have been paid Mr. Dorrell or any members of his family, although he apparently gives much of his time to the management of his plant. His daughter occasionally acts as relief operator and his two sons as linemen. No definite salary is paid either of them, they being given sums of money; bills are paid for them at the various stores of the town or advances of cash for various purposes; the payments, at times, being clearly for services rendered, and at other times apparently being for necessities such as are required in any household.

The line of distinction between company business and Mr. Dorrell's personal business is by no means clear, and the memory of the manager was not sufficiently clear on many items to enable the proper classification.

The methods of bookkeeping do not conform in any respect to the requirements of the Public Service Commission. No general ledger is kept, making it impossible to determine the assets and liabilities of the company.

The rental and toll ledger serves only as a means to determine the sum owing by or due to the various subscribers. The actual revenue produced could not be secured therefrom without checking same against reports and the making of extended tabulations thereon.

This company is so closely allied with the personal and farm interests of the manager, Mr Dorrell, as to make a proper distribution of expenses extremely difficult. This condition is demonstrated by the following entries of cash expenses, the same being exact copies of the entries as they appear in the cash book:

1916

Jan.	17	Prudential Insurance	\$58 72
Jan.	31	Salary & Rent (Personal)	12 66
Feb.	19	Expenses attending Aunt Effie Galbreath's funeral.	12 85
March	7	Expenses to Mrs. Marsh's funeral	14 00
March	13	When, pair of pants	6 75
March	25	Paid Tony for painting	5 00
April	12	Goods for Ma's wrap	7 25
April	17	Paid part on Baptist Ditch	9 62
April	29	E. L. Lambert for 8 hams	15 90
May	20	Seat for the Square	2 10
June	6	E. Lambert, strawberries	2 50
June	15	Expenses to Uncle Mike Dunning's funeral	6 80
June	17	Cap Aiken's insurance	3 50
June	19	Jake Burch, 11 gals. gooseberries	2 75
June	21	Sears, Roebuck Co., Glass, etc.	24 40
June	28	Indiana Daily Times	3 00
July	10	Hurst for 100 lbs. sugar	7 60
Aug.	10	Ma and Ruth	2 50

1916

Aug.	12	Odds and ends about town.....	\$9 14
Sept.	28	Commercial Club dues	1 00
Oct.	13	Donation to Horse Show.....	3 50
Oct.	20	Frank McMellen, 3 doz. chickens.....	17 10
Nov.	7	Gave Democratic Cent. Com.....	5 00
Dec.	11	Paid Earhart for fixing Ruth's glasses.....	1 00
Dec.	11	Donated to Masonic supper.....	1 00
Dec.	20	M. W. A. Dues.....	6 70
Dec.	20	Paid Tooley on Monument.....	175 00
Dec.	24	Gave Ma	5 00
Dec.	26	Check to Sis.....	10 00

1917

Jan.	19	Started 2¢ Christmas fund for Ma and Ruth.....	9 60
Jan.	20	Montgomery, Ward & Co.....	4 04
Jan.	24	Check to Sam, brick.....	1 05
Feb.	27	Paid Sis for 24 bu. Oats.....	33 00
March	9	M. W. A.— K. P.— F. & A. M. dues.....	13 20
March	29	Freight on seed oats.....	2 21
April	10	W. J. Peters for pants and sundries.....	7 29
May	8	Pd. for Harris, F. & A. M. initiation fee.....	10 00
May	17	Paid Cotner for Cl. vault.....	4 00
July	14	Sundries at When.....	12 26
July	18	Ins. in Farm Mutual.....	1 20
Aug.	1	P. & P. July juice.....	3 40
Aug.	22	Shetalka Tickets	4 50
Aug.	29	Pd. Heilman for diking, drilling oats, planting corn, fertilizing, cutting oats, etc.....	54 05
Nov.	3	Ma & Grandma & Ruth spent at Columbus (Grandma's part, 22.58).....	38 58
Nov.	14	Paid Frank & Ed for shoes.....	7 50
Dec.	21	Electric Iron	3 43

1918

Jan.	1	Grandma Harris Quartage Jem'na Stewart.....	12 00
Jan.	23	Frank Armstrong for 5 pigs.....	37 73
Jan.	28	M. W. & Co. Electric fixtures.....	.....
April	17	Big puff in Star Journal.....	10 00
April	19	J. F. Reed, pig feed.....	8 58
Aug.	3	Have given Harris & Lola at different times recently	25 00
Aug.	10	Loaned Chas. Bell	10 00
Sept.	12	Carl Bullard, two shoats.....	40 00
Sept.	25	Indianapolis Star, 6 mos.....	5 40
Oct.	25	Harris Street oiling.....	5 00
Oct.	28	S. & R.....	11 82 "

Of course, all of the above items have been excluded because none of them is properly chargeable as an operating cost of the telephone company, but there remain after excluding these items many others about which there was serious question.

Petitioner's engineer testified that a fair salary for the manager of this plant would be \$1,500, and the excess salary received during the past two and a half years is computed on this basis. In addition to excess salary received, the manager has enjoyed the free use of a residence property which is part of the telephone plant and the evidence shows the rental of this property would amount to \$180 annually or \$450 over a period of two and one-half years.

While the price paid by the present owner for the plant of the Hope Independent Telephone Company is not binding as to present-day values for rate-making purposes, it is nevertheless illuminating. Bearing in mind that this transaction has taken place since the enactment of the Public Service Commission Law, the record of the company thus far fails to warrant an increase in petitioner's rates. The Commission, however, does not accept the estimate of petitioner's engineers as binding for rate-making purposes. Wages paid by petitioner appear low and a schedule of proposed increases, amounting altogether to an expenditure of \$1,620 annually, was submitted to the Commission for its consideration in the determination of the petition.

The Commission believes a penalty ought to be prescribed for delayed payment of bills but, except as a provision of this sort involves an increase, no increase will be granted petitioner until its financial affairs are properly reorganized. The salary of the manager ought to be fixed definitely. The necessary accounting system prescribed by this Commission should be installed at once. The evidence goes to show that the present manager is not himself a practical telephone man and that he has depended for repair of his plant upon the services of his sons who are now, or were, in the army. The plant itself should be able

to furnish good service and the Commission is inclined to the opinion that complaints regarding service arise by reason of the personal element involved, especially a want of expert supervision and control of the property. A proper order will be entered providing for a penalty on account of the delayed payment of rates which in the absence of other evidence would appear sufficient to provide the necessary revenue in the operation of petitioner's plant.

The Public Service Commission of Indiana having heard all of the evidence in the above-entitled cause is of the opinion that the prayer of the petitioner for authority to increase rates, tolls and charges generally should be denied. The Commission is of the opinion further that a penalty should be added to all bills the payment of which is delayed beyond a reasonable length of time. Likewise, the Commission is of the opinion that petitioner should be required to install within a period of sixty days from the date of this order the proper accounting system prescribed by this Commission for telephone utilities of this class.

It is, therefore, ordered by the Public Service Commission of Indiana, That the prayer of the petitioner for authority to increase rates, tolls and charges generally be, and the same is hereby, denied.

It is further ordered, That effective December 1, 1918, and January 1, 1919, petitioner shall establish the following rules:

(1) Bills for telephone service within the town of Hope and the village of Hartsville shall be payable monthly in advance before the tenth day of each month. Bills not paid within this time shall be subject to a penalty of 15 cents.

(2) Bills for telephone service furnished in the country shall be payable quarterly in advance beginning January 1, 1919. On or before the fifteenth day of the second month of each quarter, bills not so paid will be subject to a penalty of 25 cents.

It is further ordered, That within a period of sixty days from the date hereof, petitioner shall install the proper accounting system prescribed for telephone utilities of Class C.

December 4, 1918.

APPLICATION OF SWEETSER RURAL TELEPHONE CO. 599

C. L. 86]

In re APPLICATION OF SWEETSER RURAL TELEPHONE COMPANY FOR AUTHORITY TO APPLY TO STOCKHOLDERS RATES AND CHARGES PUBLISHED FOR NON-STOCKHOLDING PATRONS.

No. 4206.

Decided December 12, 1918.

Discrimination in Favor of Stockholders Eliminated — 7 Per Cent. Fixed for Rate of Return — \$2.00 per Telephone, per Year, Fixed for Reserve for Depreciation.

OPINION AND ORDER.

Petitioner, an Indiana corporation owning and operating a rural telephone system in and around the town of Sweetser, Grant County, Indiana, avers: first, that it had in effect, on October 1, 1918, the following schedule of rates and charges:

	<i>Per Month</i>
For residence telephones	\$1 25
For business telephones	1 50
With a discount of 25 cents on all bills paid on or before the tenth day of each month;	

second, that all stockholders have been allowed to use the wires without payment of any rentals.

Petitioner prays authority to place all stockholders on the same basis, as to rentals, tolls and charges, as it now places all other patrons.

After due notice, the matters of this petition came on for hearing in the rooms of the Commission, State House, Indianapolis, on December 7, 1918, with appearances as hereinbefore set forth. No protest has been filed or heard.

The testimony shows:

1. That, at its October meeting, the board of directors of petitioner instructed the officers to file this petition and to proceed in bringing the changes into effect;

2. That the Sweetser Rural Telephone Company is owned by 206 stockholders, who are patrons of the service;

3. That there also are on the lines of petitioner 249 non-stockholders;

4. That the non-stockholders are served under the rates hereinbefore set forth;

5. That, from time to time, assessments are made on stockholders to meet deficits and for the purpose of keeping the lines in proper repair;

6. That no charge is made to stockholders, except for toll service.

The testimony further shows that operating costs for lineman and operators are \$3,120 a year, the same being the aggregate of a fixed sum of \$60.00 per week paid to a lineman who keeps the lines in repair and furnishes the four operators; that the secretary's salary is \$300 a year and that the directors' salaries aggregate \$60.00 a year. To these operating expenses, which aggregate \$3,482 a year, are to be added taxes, materials and supplies used in maintenance, and incidental operating expenses. Officers of petitioner did not have available at the time of the hearing a detailed report covering these expenses, but estimated that they would amount to approximately \$1,000 during the present year. This would raise the total operating expense to approximately \$4,500 for the year.

Testimony is that the rentals realized from serving the 249 non-stockholders amount to \$2,900 a year. Between this revenue and the estimated \$4,500 operating expenses, there is a deficit of approximately \$1,600. Testimony is that indebtedness of approximately \$2,483 has accumulated; that there was an assessment of \$15.00 per stockholder in 1917.

The present arrangement leads inevitably to unjust discriminations. It has resulted in unsatisfactory basis of operation for petitioner. Petitioner seeks operating conditions which will enable it to operate at a reasonable profit to its stockholders. Testimony shows that the application of its rates to all served, should result in a profit of probably less than 7 per cent. on a reasonable estimate of valuation after provision has been made for depreciation.

In passing under new conditions of operation, petitioner should make provision for avoiding possible assessments on stockholders (1) to cover depreciation of plant and equipment, and (2) to meet extraordinary expenses such as those arising from sleet storm damage, to which petitioner, located in the sleet storm belt, may be subjected.

C. L. 86]

It should pay into a depreciation and extraordinary maintenance or rebuilding reserve, \$2.00 per telephone, per year; said fund to be used as hereinafter outlined.

The Public Service Commission finds that the prayer of petitioner should be granted, that the schedule of rates now in effect for non-stockholders is reasonable for application to all served by petitioner, and that petitioner, in asking the change herein authorized for the conduct of its business, should make provision for depreciation and extraordinary rehabilitation costs by the creation of a depreciation reserve.

It is, therefore, ordered by the Public Service Commission of Indiana, That, beginning on January 1, 1919, and continuing until the further order of this Commission, petitioner bill all to whom service is rendered under the following schedule of rates:

	<i>Per Month</i>
Residence telephones	\$1 25
Business telephones	1 50
Discount of 25 cents on above rates if bill is paid on or before the tenth day of month.	

It is further suggested and urged, That petitioner pay into a depreciation fund \$2.00 per annum for each telephone installed, which money shall constitute a depreciation reserve fund. Such fund should be held separate and handled with proper accounting, and there should be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund should be invested, and if invested, such investment should be made in government or other high grade listed securities which should return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to property—items properly chargeable to capital account—but, in such event, petitioner should pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such

moneys so borrowed by petitioner should be repaid in full within one year. In handling such fund petitioner will be held strictly accountable for its safe investment, proper administration and accounting. Said accounting should be double entry with the asset account designated Depreciation Fund; the liability account should be designated Depreciation Reserve.

December 12, 1918.

In re APPLICATION OF WHITE RIVER VALLEY TELEPHONE
COMPANY FOR INCREASE OF RATES.

No. 4276.

Decided December 26, 1918.

Increase in Rural, Single, and Multi-Party Rates, Authorized.

OPINION AND ORDER.

On December 2, 1918, the above named petitioner filed its petition with the Public Service Commission of Indiana asking that it be authorized to increase its rates by reason of the advance in prices of material and labor.

Said cause was set for hearing on December 17, 1918, at the office of petitioner in the village of Decker. Notice of the time and place of said hearing was given by publication in the Vincennes Commercial, a newspaper of general circulation in the county where petitioner's plant is located. *J. F. Breithaupt*, general manager of said company, appeared for petitioner. There were no other appearances and no remonstrance was filed.

Petitioner's telephone plant was bought some years ago by the present owners for \$9,100. Mr. Breithaupt, the manager and principal owner of this plant, testified that the plant was actually worth about \$6,000.

Mr. Breithaupt, the manager, receives a salary of \$1,200 per year. This, under ordinary circumstances, would be a large salary for the managerial services required by a plant the size of petitioner's. However, the manager does practically all the repair work on this plant. He and one

C. L. 86]

operator are the only regular employees of this company. The manager's wife acts as relief operator and bookkeeper, without pay.

Petitioner's plant is an expensive one to operate. One of its lines is 12 miles long. It has only 25 or 30 subscribers living in the village of Decker. The others are rural subscribers. High waters have caused considerable damage to the plant. About two or three years ago 47 patrons of this company discontinued their service. The company at present has only about 188 subscribers. The total operating revenues of this plant for the year 1917 were \$3,141.60. Petitioner's annual report for this year shows miscellaneous earnings of \$472.74, making total revenues of \$3,614.34. The total operating expenses for this year, including taxes and \$200.01 for depreciation, were \$3,520.90, leaving a gross income of \$148.* This leaves less than 2½ per cent. for return on a valuation of \$6,000. This is clearly insufficient. The miscellaneous earnings for 1917 were unusually large. The testimony showed that the average annual miscellaneous earnings were about \$50.00. Except for the large miscellaneous earnings for 1917 there would have been an actual operating deficit. However, the operating expenses for 1917 were considerably larger than in any previous year.

The Commission is of the opinion that petitioner should be authorized to increase its rates 15 cents per month for each telephone. This will produce an additional annual revenue of about \$340, based on the number of telephones now in use, to-wit, 189.

It is, therefore, ordered, That the White River Valley Telephone Company of Decker, Indiana, be, and it is hereby, authorized to put into effect January 1, 1919, the following schedule of rates, to-wit:

Private line, per month.....	\$1 90
Two-party line, per month.....	1 65
Party line, per month.....	1 40
Country private line, per mile or fraction thereof, per month..	1 15

December 26, 1918.

* An error is apparent.

SOUTHSIDE TELEPHONE COMPANY OF HOUSTON, INDIANA v.
CITIZENS MUTUAL TELEPHONE COMPANY OF FREETOWN,
INDIANA.

No. 4258.

Decided December 31, 1918.

Connecting Company Ordered to Route Interchanged Messages Passing Through Exchange, by Shortest Route Over its Own Circuit, Instead of by Longer Route Through Exchanges of Other Companies.

OPINION AND ORDER.

On November 22, 1918, the Southside Telephone Company of Houston, Indiana, filed a petition with the Public Service Commission of Indiana, and respectfully shows:

That it is a corporation of the State of Indiana, doing business as a telephone company, owning telephone lines with its principal place of business at Christiansburg, Brown County, Indiana;

That all its patrons, numbering more than 25, are represented in this petition;

That the above named Citizens Mutual Telephone Company is a public utility engaged in the telephone business at Freetown, Indiana, and that as such public utility said company is subject to the provisions of the laws of Indiana.

Petitioner says that said Citizens Mutual Telephone Company owns a telephone system at Freetown, Indiana, having a switchboard at that place, and direct lines from said town of Freetown to the city of Seymour, Indiana, and that its patrons when talking to parties at Seymour, Indiana, talk over said direct line between said two places, the distance between said two places being about 10 miles.

Petitioner further says that it owns a line running direct from its switchboard at Houston, Indiana, to Freetown, Indiana, and all of its patrons, when desiring to talk to parties in Seymour, Indiana, call its switchboard at Houston, and from Houston are sent through the switchboard of the Citizens Mutual Telephone Company at Freetown; that the Citizens Mutual Telephone Company of

C. L. 86]

Freetown refuses to permit the patrons of petitioner to talk direct from Freetown to Seymour, as do the patrons of its own company, but sends such messages over the lines of the Daniel B. Eddy Telephone Company to Brownstown, Indiana, a distance of approximately 12 miles, and from there the message is sent back to Seymour, a distance of about 8 miles, at an expense to petitioner's patrons of 20 cents per message; that the expense per message, if sent direct over the line which the patrons of the Citizens Mutual Telephone Company use, from Freetown to Seymour, would be only 10 cents; that the service over the direct line is much better than that over the line through Brownstown and back.

Wherefore, petitioner prays that the aforesaid Citizens Mutual Telephone Company be required to answer the charges herein, and that after due hearing and investigation, an order be made commanding said telephone company to cease the acts referred to, and that it be required to permit the patrons of petitioner, when talking to parties in Seymour through Freetown, to talk direct to Seymour over the direct line, and not be required to go *via* Brownstown, which is many miles farther.

Due and timely notices were issued and served upon the proper officials of the utilities, that the matters contained in the petition would be heard at Columbus, Indiana, December 19, 1918, at the rooms of the Chamber of Commerce, 11 o'clock A. M.

Said petition came on for hearing and the evidence disclosed the fact that messages originating at Houston, the exchange of petitioner, were routed to Freetown, the distance being 5 miles; thence from Freetown to Kurtz, Indiana, a distance of approximately 4 miles; thence from Kurtz to Brownstown, Indiana, a distance of approximately 13 miles; thence to Seymour, Indiana, a distance of approximately 11 miles, making a total distance of approximately 33 miles, passing through three exchanges at a cost of 20 cents to the sender, making two extra exchanges to pass through, and a farther distance of 17 miles.

The evidence of respondent indicated that all messages originating at petitioner's exchange for Seymour were routed direct from Freetown to Seymour, unless conditions of the line were such that immediate transportation of said messages could not be made, and in this event, said messages were routed *via* Kurtz and Brownstown. The evidence, however, was not clear to prove the necessity of routing messages through two extra exchanges, an additional 17 miles further, and in view of the fact that Section 73 of the Shively-Spencer Utility Commission Act provides that should the Commission find

"any regulations, measurements, practices, acts or service to be unjust, unreasonable, unwholesome, unsanitary, unsafe, insufficient, preferential, unjustly discriminatory or otherwise in violation of any of the provisions of this Act, or shall find that any service is inadequate, or that any service which can be reasonably demanded can not be obtained, the Commission shall determine and declare, and by order, fix just and reasonable measurements, regulations, acts, practices or service to be furnished, imposed, observed and followed in the future, in lieu of those found to be unjust, unreasonable, unwholesome, unsanitary, unsafe, insufficient, preferential, unjustly discriminatory, inadequate, or otherwise in violation of this Act, as the case may be, and shall make such other order respecting such measurement, regulation, act, practice or service as shall be just and reasonable."

The Public Service Commission of Indiana having heard the evidence in the above-entitled cause, and being fully advised in the premises, is of the opinion that the prayer of the petitioner should be granted, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Citizens Mutual Telephone Company of Freetown, Indiana, is hereby and herein ordered and directed to route all telephone messages originating at the exchanges of Houston and Beck in Brown County, Indiana, belonging to petitioner, the Southside Telephone Company, direct to Seymour, Indiana, from Freetown, Indiana, and to cease and desist routing said messages from Houston and Beck to Freetown via Kurtz and Brownstown to Seymour, Indiana.

December 31, 1918.

In re JOINT PETITION OF FARMERS' AND MERCHANTS'
COOPERATIVE TELEPHONE COMPANY OF BOSWELL FOR
AUTHORITY TO PURCHASE FREELAND PARK TELEPHONE
COMPANY, ETC.

No. 4274.

In re PETITION OF FARMERS' AND MERCHANTS' COOPERATIVE
TELEPHONE COMPANY OF BOSWELL TO ISSUE CAPITAL
STOCK.

No. 4288.

In re PETITION OF FARMERS' AND MERCHANTS' COOPERATIVE
TELEPHONE COMPANY OF BOSWELL TO INCREASE RATES.

No. 4287.

Decided December 31, 1918.

Purchase of Exchange Property Authorized — Issue of Stock Author-
ized — Increase in Business, Multi-party, and Rural Rates Author-
ized — 6 Per Cent. Fixed as Rate of Return — $4\frac{1}{2}$ Per Cent.

Fixed for Reserve for Depreciation — Free Interexchange

Toll Service Ordered — Allowance for Cost of Bringing

Property to then State of Efficiency Made — Num-

ber on Rural and Multi-party Lines Prescribed

— Method of Handling Reserve for De-

preciation Prescribed — Same Rate

Prescribed for Eight-party

Rural and Four-party

Town Residence

Service.

Applicant, which had paid at public auction \$43,000 for the combined properties of the Farmers' and Merchants' Cooperative Telephone Company and the Boswell Telephone Company, although it knew that engineers had valued the properties at \$30,000, sought authority to issue \$38,000 of stock in addition to its outstanding stock in the amount of \$12,000; to purchase for \$6,500 and consolidate with its property, the property of the Freeland Park Telephone Company; and to put into effect an increased schedule of rates for the consolidated exchanges.

The Commission, in valuing the consolidated Boswell and Farmers' and Merchants' properties, allowed, in addition to the value of \$30,000 found by the engineers, \$2,000 to perfect the complete consolidation of the properties necessary to the rendering of proper service, and, furthermore, in view of unusual conditions encountered, the community benefit of unified

[Ind.]

service produced by merger and necessary loss of duplication built during the periods of competitive warfare, to which the whole community enthusiastically made itself a party, allowed \$3,500 for "bringing the property to its then state of efficiency" and to cover working capital. Adding \$6,500 as the value of the Freeland Park property, the Commission fixed the value for rate-making purposes at \$42,000. The Commission estimated the annual expenses, including 6 per cent. for return on investment and $4\frac{1}{2}$ per cent. for reserve for depreciation, at \$11,230, and estimated the rates necessary to produce such revenue, exclusive of \$1,400 toll revenue.

Held: That applicant should be authorized to purchase the Freeland Park Telephone Company for \$6,500, which included \$500 spent for additions and betterments since the sale of said exchange to William J. Lawson *et al.*;

That although the Commission, in normal times, would allow a return of 7 per cent. and 5 per cent. for reserve for depreciation, the property being in the sleet and heavy wind storm section, the Commission would in this case allow a return of 6 per cent. on investment and $4\frac{1}{2}$ per cent. to cover depreciation of the depreciable property, having a value of \$30,000;

That applicant should be authorized to put into effect for the consolidated exchange a net rate of \$1.35 per month for rural eight-party and town four-party residence service, and of \$2.00 per month for business service, which rates would yield sufficient revenue, together with the toll revenue, to pay operating expenses, allow $4\frac{1}{2}$ per cent. for reserve for depreciation and yield a return of 6 per cent.;

That all tolls heretofore existing between the Farmers' company, the Boswell company and the Freeland Park company should be abolished, all said former service to be rendered as one service; but all other tolls and charges made for interexchange and long distance messages should be continued;

That the practice of having as many as 11 telephones on a party line was not conducive to good service and the company should limit rural party line service to eight telephones and town party line service to four telephones, all service lines to be metallic;

That in view of abnormal conditions a permanent order would not be made, but the order should be limited to a period ending June 30, 1920.

OPINION AND ORDER.

In petition No. 4274, Farmers' and Merchants' Cooperative Telephone Company, of Boswell, an Indiana corporation owning and operating a telephone exchange and telephone system in, and in the country around, Boswell, Indiana, and William J. Lawson *et al.*, owning

C. L. 86]

and operating the Freeland Park telephone exchange under the name of Freeland Park Telephone Company, aver:

(a) That by authority heretofore granted * said William J. Lawson *et al.* by this Commission, they purchased and secured legal title to said Freeland Park Telephone Company;

(b) That said purchase was made by said William J. Lawson *et al.* for the benefit of the Farmers' and Merchants' Cooperative Telephone Company;

(c) That the said Farmers' and Merchants' Cooperative Telephone Company now proposes to take over said Freeland Park Telephone Company and the legal title thereto, and to pay to said William J. Lawson *et al.* the purchase price advanced in the original purchase of said Freeland Park Telephone Company and the betterments made thereon, in the sum of \$6,500.

The Farmers' and Merchants' Cooperative Telephone Company prays authority to purchase said Freeland Park Telephone Company, and to consolidate with and make said Freeland Park Telephone Company a part of its property, and the said William J. Lawson *et al.* pray authority to sell and convey said Freeland Park Telephone Company and all of its property, ways and means, franchises and privileges, connections and agreements with all other telephone companies, to said Farmers' and Merchants' Cooperative Telephone Company, for and in consideration of said sum of \$6,500.

In petition No. 4288, the said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, avers:

(a) That it has become owner of all the property, poles, lines, wires, telephones, and all and singular the ways and means of the Boswell Telephone Company and of all things appertaining to it;

(b) That it is the equitable owner of the Freeland Park Telephone Company, a telephone exchange, lines, wires, and connections, situate in and about Freeland Park, Benton County, Indiana, about 12 miles northwest of the town of Boswell;

(c) That it has outstanding notices actionable, on December 20, 1918, for a meeting of the stockholders, called for the purpose of increasing the capital stock of it, from \$12,000, to \$50,000, so that it may issue stock whose par value will represent the value of its investment in money and

* See Commission Leaflet No. 71, p. 1086.

money's worth in property, rights, franchises, agreements, and all things of which said petitioner is the owner; and that on authority of said stockholders application will be made to the Secretary of State for authority so to increase petitioner's capital stock.

Petitioner prays authority to issue capital stock up to the amount of the value of its property, including the purchase of the said Freeland Park exchange, as a going public utility;

"that is to say; to such amount as that the charge to the public for telephone service shall make net, reasonable income on invested capital, and also to such amount as the duplicate property of petitioner may have value to take the place of depreciation for the length of time that the property on hand will protect the income of the company from expenditure for wires, poles, property and the like, necessary from day to day and year to year for repairs, extensions and betterments."

In petition No. 4287, said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, avers:

(a) That it has paid for the consolidated properties of its own corporation and of the Boswell Telephone Company the sum of \$43,000, and that the property is fairly worth that sum; that it is also the equitable owner of the properties of the Freeland Park Telephone Company, which it seeks to consolidate with its properties, and that said Freeland Park Telephone Company is fairly worth \$6,500;

(b) That the rates of \$1.00 per month for residence telephone service and \$1.50 per month for offices, elevators, stores and other business houses, made several years ago when costs of materials and supplies and of labor used in maintaining and operating such properties were very materially lower than at the present time, are wholly inadequate to pay the costs of maintaining and operating said telephone business and of yielding a reasonable return on investment, and are much lower than the service rendered to patrons is fairly worth;

(c) That it is put to inconvenience and expense in collecting rental from certain patrons, and that disconnections for delinquency leads to ill-feeling between the company and said delinquents.

Petitioner prays authority to increase its rentals and rates to the following rates:

	<i>Per Month</i>
Telephones for residences.....	\$1 50
Telephones for offices, elevators, stores and other places of business	2 25

and to increase said rates 25 cents per month for each telephone when the rental for same is not paid on or before the tenth day of the month it is due.

These three petitions mark successive steps in the final consolidation and readjustment of the said properties, and can best be considered together.

After due notice, the matters of these petitions came on for hearing in the town hall at Boswell, Indiana, on December 20, 1918, with appearances hereinbefore set forth.

The evidence shows that this Commission, in its order No. 2988,* issued on September 28, 1917, authorized the sale of the said Freeland Park telephone exchange, and its purchase by the said William J. Lawson *et al.*, for the sum of \$6,000, the same being found to be a fair value for the said property. The evidence further shows that additions and betterments, to the extent of \$500, have been made and that, for the purposes of this petition, \$6,500 is a reasonable value for this property, which has 130 patrons attached.

No protest has been filed or heard to the transfer of this property by said William J. Lawson *et al.* to the said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, for which it was known to be purchased under the previous authorization.* The prayer of petition No. 4274 will be granted.

The evidence shows that the said Farmers' and Merchants' Cooperative Telephone Company is incorporated for \$12,000 and has outstanding \$12,000 of stock; that in carrying out the absorption of the said Freeland Park Telephone Company, hereinafter authorized, it will add to its properties values of at least \$6,500; and it further appears from the evidence that the absorption of the said Boswell Telephone Company will add to the properties of the said Farmers' and Merchants' Cooperative Telephone Company other values hereinafter found and fixed, and to cover all the values that will be vested in the said Farmers' and Merchants' Cooperative Telephone Company, after

* See Commission Leaflet No. 71, p. 1086.

the completion of said absorption and consolidations, petitioner, the said Farmers' and Merchants' Cooperative Telephone Company, should be authorized to issue of its capital stock \$30,000, par value, the same to be issued at par and used for the purposes of paying for and acquiring said properties; said \$30,000 of added capital stock outstanding making the total issue of stock outstanding, until further order of this Commission, \$42,000. No protest is filed or heard. It will be so ordered.

Evidence in hearing on petition No. 4287, and the records of the Public Service Commission in previous hearings,* reveal that after a long competitive warfare, the exchanges and lines of the Farmers' and Merchants' Cooperative Telephone Company and of the Boswell Telephone Company were physically connected and consolidated in October, 1918; that pursuant to order of this Commission, trustees, into whose hands the properties of the two companies had been placed, offered the consolidated properties and services for sale at public auction in the town of Boswell on November 1, 1918; that said consolidated properties, and all franchises, rights and privileges, held and enjoyed by the two companies, were purchased at highest bid by petitioner; that the consideration of said transfer and ownership was \$43,000; that the physical value of the consolidated properties, used and useful for the service of the community, was placed at \$30,000 by trustees and competent engineers previous to said sale, and that bidders at said sale had knowledge of said valuation. The evidence further reveals that there remains necessary an expenditure, which the Commission places at \$2,000, to perfect the complete consolidation of the properties and operating conditions necessary to the rendering of proper service.

After careful consideration of unusual conditions here encountered, the community benefit of unified service produced by such merger, and necessary loss of duplication built during periods of competitive warfare to which the

* See Commission Leaflets No. 42, p. 54; No. 62, p. 348; and No. 79, p. 83.

C. L. 86]

whole community enthusiastically made itself a party, the Commission will allow a sum of \$3,500 for "bringing the property to its then state of efficiency" and to cover working capital. This will raise the valuation of the consolidated and merged property, as it will stand when completed and perfected, to \$35,500 for rate-making purposes.

Under the order hereinafter made in P. U. C. I. 4274, there will be merged with this property the properties of the Freeland Park Telephone Company on the basis of \$6,500. These properties lie contiguous and are physically connected, and the appended order of the Commission will make their service free of toll charges within the two exchanges. The properties, therefore, will be treated as one property, with a valuation of \$42,000, for rate-making purposes.

The evidence, corrected by petitioner, shows that the Farmers' and Merchants' Cooperative Telephone Company now has 445 patrons on its lines, of which 417 pay the residence rate or home rate of \$1.00 a month, and 28 pay the business rate of \$1.50 a month; that there are attached to the lines of the Freeland Park exchange 130 patrons, of whom 123 pay the residence or home rate of \$1.00 a month and 7 the business rate of \$1.50 a month. It can reasonably be expected that the consolidated service will start with 575 patrons, of whom 540 will be residence or home telephone patrons and 35 business telephone patrons.

The evidence further discloses that both services have, in the past, been conducted at a loss, and that there are material increases in the cost of operation, partly due to war conditions. The evidence further discloses that, at this time, as many as 11 telephones are sometimes placed on a party line. This is not conducive of good service and the order of the Commission will place a limit of 8 telephones to the party line on rural lines and 4 to the party lines in the town of Boswell and the village of Freeland Park, and that all service lines be of the character designated as metallic.

Evidence of operating costs is unsatisfactory because

of consolidation. Close checking leads the Commission to the opinion that the total operating cost for the two exchanges will be approximately \$7,000 per annum, the same covering operation, maintenance, administration, taxes, bookkeeping and general expenses, including stationery, advertising, postage, traveling expenses, attorney fees, rent, heat, light, water, and operation and maintenance of automobile, etc.

In normal times, this Commission would allow, on such a property, a return of 7 per cent. on the value found for rate-making purposes, and — the property being in the section visited by sleet and heavy windstorms — would make an allowance of 5 per cent. to cover depreciation. The Commission, in issuing this order, which probably will be effective until return to more normal costs of materials and supplies used, in maintenance and replacements, will allow a return of 6 per cent. on investment, and $4\frac{1}{2}$ per cent. allowance to cover depreciation of depreciable property having a value of \$36,000. With return to more normal conditions, the return on investment can be expected to rise to 7 per cent. by reason of growth of service and lower operating costs. The allowance of $4\frac{1}{2}$ per cent. to cover depreciation will probably become equivalent to 5 per cent., and will be augmented by interest and other conditions specified in the appended order.

The operating expenses, taxes, allowance to cover depreciation and return on investment total \$11,230.

The record leads the Commission to the opinion that the net earnings from toll business will aggregate \$1,400 per annum. It will, therefore, be necessary to provide \$9,830 earnings from operation of the combined properties, *i. e.*, other than revenue received from toll business.

The Commission is of the opinion that the following rates and a growth of business will produce the \$9,830 of estimated needed revenues:

	<i>Gross</i>	<i>*Net</i>
Residence telephones (on rural lines, not more than 8 telephones on a party line).....	\$1 50	\$1 35
Residence telephones (not more than 4 on a party line in town of Boswell and village of Freeland Park) ..	1 50	1 35
Business telephones	2 25	2 00

* If paid on or before ten days after rendering of bill.

In consolidations and mergers of properties, it often is impossible to make exact estimates of revenues and expenses. That especially is true in this instance, in which three different properties are consolidated. Petitioner was unable to produce exact operating cost data. The estimate may be too high or too low, and actual operation may demonstrate that one lineman more than necessary is included. There also is the element of readjustment to new and probably lower levels of costs of supplies. Concurring in the contention of counsel for protestants, presented in a brief, the Commission will not make a permanent order. Consideration must be taken of abnormal conditions pointed out by counsel for protestants. Under all of these conditions, the Commission will limit the order hereto attached to a period ending June 30, 1920, and require semi-annual reports.

The Public Service Commission of Indiana being fully advised, finds:

(P. S. C. I. 4274). That authority should be granted the Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, to purchase Freeland Park Telephone Company and its properties, and that said Freeland Park Telephone Company should be granted authority to sell and convey its exchange and properties to the said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, and that \$6,500 is a reasonable consideration for the sale and transfer of said properties;

(P. S. C. I. 4288). That authority should be granted the Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, to issue \$30,000 of its capital

stock to cover property values properly chargeable to capital account;

(P. S. C. I. 4287). That the rates and charges heretofore and now in effect for service rendered by the recently consolidated Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, and the Boswell Telephone Company, and also by Freeland Park Telephone Company, are inadequate to make proper return on property in use and useful in rendering service, that petitioner should be authorized to put into effect, as of January 1, 1919, increased rates hereinafter set forth, that such rates shall be for service rendered over metallic lines, and that all tolls heretofore existing between the Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, the Boswell Telephone Company, and Freeland Park Telephone Company, be abolished, and that all said former services be rendered as one service.

It is, therefore, ordered by the Public Service Commission of Indiana, That Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, be, and it is, authorized to purchase Freeland Park Telephone Company and all of its properties, franchises, rights and privileges, and that authority be, and it is, granted said Freeland Park Telephone Company to sell to said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, all of its properties, franchises, rights and privileges, the consideration of said transfer being \$6,500.

It is further ordered by the Public Service Commission, That Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana be, and it is, granted authority to issue \$30,000 of its capital stock, the same to cover properties constructed and acquired by said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, having a value, for rate-making purposes, of \$42,000, said stock to be issued at par, and that said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, shall pay to the Treasurer of the State of Indiana, the sum of \$45.00, the statutory

fee in this case under the securities issue sections of the Shively-Spencer Utility Commission Act.

It is further ordered by the Public Service Commission, That Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, cancel out all existing rates, tolls and charges heretofore charged by Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, Boswell Telephone Company, and Freeland Park Telephone Company, and it is hereby authorized to put into effect, as of January 1, 1919, and to continue in effect until June 30, 1920, the following schedule of rates, tolls and charges:

	<i>Gross</i>	<i>*Net</i>
Residence telephones (on rural lines, not more than 8 telephones on a party line).....	\$1 50	\$1 35
Residence telephones (not more than 4 on a party line in town of Boswell and village of Freeland Park).	1 50	1 35
Business telephones	2 25	2 00

* If paid on or before ten days after rendering of bill.

It is further ordered, That, with exception of tolls heretofore charged between Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, Boswell Telephone Company, and Freeland Park Telephone Company, all other tolls and charges made for interexchange and long distance messages be, and same are, continued.

It is further ordered, That said rates, tolls and charges herein provided for said Farmers' and Merchants' Cooperative Telephone Company of Boswell, Indiana, are for service to be rendered over lines that are known as metallic.

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separately and handled with proper accounting, and that there shall be paid out of this fund all costs of maintaining depreciation. Moneys accumulating in said fund should be invested, and if invested, such investment shall be in government or other

high grade listed securities which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to property — items properly chargeable to capital account — but, in such event, petitioner shall pledge to said fund its own notes or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

It is further ordered, That petitioner shall make report to this Commission of operation under this order, after balance of books at close of business on July 1, 1919, and January 1, 1920.

December 31, 1918.

In re APPLICATION OF LOCHIEL TELEPHONE COMPANY AND ALONZO W. TIMMONS FOR APPROVAL OF PURCHASE AND SALE OF TELEPHONE PLANT, AND AUTHORITY TO ISSUE STOCK.

No. 4282.

Decided December 31, 1918.

Sale of Exchange and Issue of Stock, Previously Made Without Authority of Commission, Authorized.

OPINION AND ORDER.

Petitioners, the Lochiel Telephone Company, an Indiana corporation, and Alonzo W. Timmons, an individual, aver:

1. That residents of the village of Lochiel, Indiana, and adjoining territory, having associated themselves and incorporated the Lochiel Telephone Company of the village of Lochiel, Indiana, purchased, on October

C. L. 86]

1, 1918, from Alonzo W. Timmons, the telephone system at Lochiel and the telephone lines radiating therefrom into the rural districts and having connections with other telephone systems in nearby towns, the said purchase being in consideration of \$3,100;

2. That the said transfer of property includes all rights, franchises and property of the said Alonzo W. Timmons used and useful in the operation of the said telephone utility;

3. That the said Lochiel Telephone Company has issued 57 shares of its capital stock at the par value of \$100 per share, the same being fully paid, and that it now carries in its treasury 3 unissued shares of its \$6,000 capital stock;

4. That said sale and purchase, and the issuance of stock, have been made without the approval of the Public Service Commission of Indiana; that said failure to obtain the necessary approval is due to said petitioner being unfamiliar with the requirements of the Shively-Spencer Utility Commission Act as regards the sale and transfer of utility properties, and issuance of securities of utilities.

Petitioner prays approval of the said sale and issuance of securities.

After due notice, the matters of this petition came on for hearing in the town hall, Boswell, Indiana, with appearances as hereinbefore set forth. No protest was filed or heard.

The evidence reveals that the property sold by the said Alonzo W. Timmons and purchased by said Lochiel Telephone Company was, at the time of the sale, reasonably of the value of \$3,100, the amount paid for the purchase and transfer of said property; that the stock issued by said Lochiel Telephone Company was issued at par, \$100 being paid for each share of stock; that, out of the \$5,700 thus realized, payment for said property was made to said Alonzo W. Timmons; that the remainder of said funds, and other money which has been obtained, has been used in rebuilding and extending said telephone system, which, on the day of hearing, had 123 subscribers, approximately 47 miles of local lines, and certain ownerships in toll lines connecting the Lochiel exchange with exchanges at Fowler, Oxford, Goodland and Remington; that the value of the property, as of the date of December 20, 1918, was at least \$6,000; that failure to obtain proper authority for the

transfer and sale of said property and the issuance of securities was due to unfamiliarity with the requirements of the Shively-Spencer Utility Commission Law.

The Public Service Commission having heard the evidence and being fully advised, finds that the sale of the telephone lines and property of the said Alonzo W. Timmons to the said Lochiel Telephone Company, should be approved, and that authority should be given to said Lochiel Telephone Company to issue and sell 60 shares of its capital stock, said shares being of the value of \$100 each.

It is, therefore, ordered by the Public Service Commission of Indiana, That the sale and transfer by Alonzo W. Timmons to the Lochiel Telephone Company, of all his rights, privileges, franchises and property used and useful in the operation of a telephone plant and system having its exchange in Lochiel, Indiana, be, and the same is hereby, authorized and approved; and that said Lochiel Telephone Company be, and it is hereby, authorized to acquire and hold said properties.

It is further ordered, That the said Lochiel Telephone Company be, and it is hereby, authorized to execute, issue and sell \$6,000 of its capital stock, the same to be issued in shares of \$100 each, and sold at not less than par.

It is further ordered, That the said Lochiel Telephone Company shall, within twenty days from date of this order, pay to the Treasurer of the State of Indiana the sum of \$9.00, the statutory fee provided under the securities issue sections of the Shively-Spencer Utility Commission Act.

December 31, 1918.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR PERMISSION TO SELL ITS EXCHANGE AND PROPERTY AT ALTAMONT TO THE FARMERS MUTUAL TELEPHONE COMPANY.

Docket No. 2758.

Decided December 17, 1918.

Sale of Exchange Property Authorized.

ORDER.

On this seventeenth day of December, 1918, comes on to be heard the application of the Southwestern Bell Telephone Company for permission to sell its exchange, telephone plant, and property at Altamont, Kansas, and vicinity, to The Farmers Mutual Telephone Company, of Altamont, Kansas, the said company joining in said application; and upon consideration of the application and the testimony introduced thereunder, and being duly advised in the premises, the Commission finds that the prayer of petitioner should be granted.

It is, therefore, ordered, That the Public Utilities Commission for the State of Kansas hereby consents that the telephone exchange plant and property of the Southwestern Bell Telephone Company, located at Altamont, Kansas, and vicinity, be sold, transferred and assigned to The Farmers Mutual Telephone Company, of Altamont, Kansas, and that the said The Farmers Mutual Telephone Company have leave to purchase same.

December 17, 1918.

In re APPLICATION OF ARMA CENTRAL TELEPHONE COMPANY
FOR PERMISSION TO MAKE CERTAIN CHANGES IN RATES
AT ARMA.

Docket No. 2666.

Decided December 19, 1918.

Increase in Rates Authorized — Non-Subscriber Message Rate Fixed.

ORDER.

On this nineteenth day of December, 1918, comes on to be heard the application of the Arma Central Telephone Company, a corporation, for permission to make certain changes in its rates, due notice having been given of the hearing; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that owing to increased operating and maintenance expenses, including especially the items of labor, material and supplies, and in view of the large amount of additional service being furnished to adjacent exchanges, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates covering charges for the various classes of service furnished by it as hereinafter provided for.

It is, therefore, by the Commission ordered, That the Arma Central Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates effective on and after January 1, 1919, providing charges for the various classes of service furnished by it at and through its exchange at Arma, Kansas, as follows, to-wit:

	<i>Per Month</i>
Individual line, business telephone.....	\$1 75
Party line, city residence telephone.....	1 25
Rural party line telephone.....	1 25
Non-subscribers to be charged 5 cents per message.	

All rates for all other classes of service furnished by petitioner to remain as now in force.

December 19, 1918.

KENTUCKY.

Railroad Commission.

In re APPLICATION OF GAINESBORO TELEPHONE COMPANY, A CORPORATION CHARTERED UNDER THE LAWS OF TENNESSEE, AND TOMPKINSVILLE HOME TELEPHONE COMPANY, A CORPORATION OF KENTUCKY, TO CONSOLIDATE.

Decided December 16, 1918.

Consolidation Authorized on Condition that Rates Should not be Advanced

OPINION AND ORDER.

Whereas the Gainesboro Telephone Company and the Tompkinsville Home Telephone Company, corporations, operating telephone exchanges and doing telephone business, filed their petitions before the Kentucky Railroad Commission on November 18, 1918, asking the Commission to enter an order privileging their consolidation, and

Whereas there has been filed before the Commission the agreement between the Gainesboro Telephone Company, signed by the president, James N. Cox, and R. B. Evans, president of the Tompkinsville Home Telephone Company, setting forth the contract under which the proposed consolidation is to become effective, and

Whereas there has been filed a copy of the resolutions passed by the mayor and city council of the city of Tompkinsville, to the effect that no substantial public benefit results from the separate existence of the exchanges in the city of Tompkinsville, Kentucky, now operated respectively by the Tompkinsville Home Telephone Company and the Gainesboro Telephone Company, and that no actual competitive conditions exist between said exchanges, and

Whereas said resolutions set forth that the said mayor and city council approve said consolidation,

Now, therefore, be it resolved, That the Kentucky Railroad Commission, after such investigation as we deemed necessary, have determined that no substantial public benefits result from the separate existence of the corporations of the Gainesboro Telephone Company and the Tompkinsville Home Telephone Company, and that actual competitive conditions do not exist between the said companies, and that said Kentucky Railroad Commission hereby consents to the consolidation of the said above-named companies, *provided however,* that the consolidated company shall not charge, collect or receive a greater sum for toll or compensation than that sum which is now charged, collected or received by the constituent corporations for the same or similar services hereafter rendered, so long as said companies operate as a consolidated company under the resolution of this Commission, and under substantially the same or similar conditions as now exist.

December 16, 1918.

MAINE.

Public Utilities Commission.

In re APPLICATION OF NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION TO AMEND SCHEDULE OF RATES.

U-309.1.

Decided December 4, 1918.

Revision of Installation and Moving Charges Established by Postmaster General Authorized to Become Effective on One Day's Notice.

ORDER.

Petitioner represents that in view of the further orders as issued by the Postmaster General in his Bulletin No. 15 of November 30, 1918, it is necessary to file certain revisions to schedule M. P. U. C. No. 3, and desires that such amendments be allowed to become effective on less than statutory notice.

The Commission in its decree* No. U-309.1 of September 12, 1918, considered in detail the charges as required in the Postmaster General's orders, and in view of the original decision,

It is ordered, adjudged and decreed, That the New England Telephone and Telegraph Company be permitted to publish and file, effective December 5, 1918, such amendments as are necessary under the Postmaster General's Bulletin No. 15, the notice of filing being one day, which is less than the statutory period required.

Given under the hand and seal of the Public Utilities Commission, at Augusta, this fourth day of December, 1918.

* See Commission Leaflet No. 83, p. 1567.

MASSACHUSETTS.

Public Service Commission.

In re APPLICATION OF THE NEW ENGLAND TELEPHONE AND
TELEGRAPH COMPANY FOR PERMISSION TO ESTABLISH CER-
TAIN SERVICE CONNECTION CHARGES AND CHARGES FOR
CHANGING LOCATION OR STYLE OF STATION EQUIPMENT.

P. S. C. No. 2276-D.

Decided December 3, 1918.

**Revision of Installation and Moving Charges Established by Postmaster
General Authorized to Become Effective on One Day's Notice.**

REPORT AND ORDER.

These charges are required by Bulletin No. 15 of the Postmaster General of the United States, who is now administering the affairs of the telephone and telegraph properties of the country under authority of the President and Congress, and will be permitted by this Commission to become legally effective in the Commonwealth because they have been established by order of the Federal Government, and not because the Commission is of the opinion that they are otherwise just and reasonable or well-considered.

It is ordered, That under application of December 3, 1918, the New England Telephone and Telegraph Company be authorized to establish certain service connection charges and charges for changing location or style of station equipment in accordance with Bulletin No. 15 of the Postmaster General of the United States, as described in said application and the accompanying memoranda; said charges to be made effective, under this authority, one day after filing with this Commission.

This authority does not waive any of the requirements of the Commission's rules nor any of the provisions of

C. L. 86]

Chapter 784, Acts of 1913, except as to the notice to be given.

This permission is limited strictly to its terms and does not include later supplements to or reissues of the tariff issued or amended thereunder. It is void unless the tariff or supplement issued thereunder is filed with the Commission within thirty days from the date hereof.

Such tariff or supplement must bear the notation

“ Issued under special permission of the Massachusetts Public Service Commission, No. 2276-D of December 3, 1918.”

December 3, 1918.

MICHIGAN.

Railroad Commission.

In re APPLICATION OF CLIFFORD TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

T-209.

Decided December 6, 1918.

**Increase in Rates Authorized — Number on Rural Lines Restricted
to Ten.**

OPINION AND ORDER.

Application for authority to increase certain telephone rates for telephone service by the Clifford Telephone Company, accompanied by proof of publication of notice of the intention of said telephone company to make such application published in the North Branch Gazette, a newspaper of general circulation in the territory served by the telephone lines of said company, having been filed with the Commission on the fifteenth day of November, 1918, and an order having been issued thereon fixing the date of the hearing upon said application as the fourth day of December, 1918, at 10:00 o'clock in the forenoon, at the offices of the Michigan Railroad Commission in the Oakland Building, in the city of Lansing, and due notice having been given to the applicant and to the public, and a hearing having been had thereon at the time and place specified in said order, and said applicant having appeared by *Mr. J. H. Atley*, the proprietor and sole owner, and no one having appeared in opposition thereto, and the Commission having considered said application and the evidence offered in support thereof, and it appearing that the proposed increase of rates is reasonable and reasonably required to maintain the service of said company, and to compensate the owner for the furnishing of the same;

C. L. 86]

We do hereby authorize the said Clifford Telephone Company to publish and make effective as of the first day of January, 1919, the following schedule of rates, rentals and charges for telephone service furnished as follows:

Individual line, business.....	\$18 00
Party line, business.....	15 00
Individual line, residence.....	18 00
Party line, residence.....	15 00
Farm line, residence.....	15 00

Provided, however, and this order is on the express condition, that whenever more than 10 patrons are being served by one rural line and any of said patrons complain that said line is overloaded or serves too many persons, the said telephone company shall correct said condition by furnishing additional or other lines, so that not more than 10 persons shall be served by such line, and

Provided further, That the said telephone company shall on or before the date upon which said rates are to become effective file with this Commission in writing its acceptance of the terms of this order.

Dated at Lansing, Michigan, December 6, 1918.

MISSOURI.

Public Service Commission.

In re SUSPENSION OF TOLL RATES OF PATTONSBURG HOME
TELEPHONE COMPANY.

Case No. 1695.

Decided November 26, 1918.

Application of Toll Rates Should not be Based on County Lines.

REPORT.

The Pattonsburg Home Telephone Company filed with the Commission on June 15, 1918, its P. C. S. Mo. No. 2, providing for the establishment of toll rates to nearby points located in counties other than Davies.

The Commission suspended the effective date of such tariff, and entered upon proceedings of investigation to determine the reasonableness and lawfulness of such proposed charges.

Full investigation of all matters involved has been had, a hearing having been held in the city of Pattonsburg, Missouri, on the twenty-fifth day of September, 1918.

From the record it appears that the respondent company owns a telephone exchange at Pattonsburg, Missouri, at Jameson, Missouri, and at Coffey, Missouri, and that it owns, either in part or in whole, lines leading from these exchanges to other exchanges located in Davies, Gentry, Harrison and other counties.

In the past it has been the practice of the respondent company to make no charge for telephonic communication from its subscribers located at the exchanges of Pattonsburg, Jameson and Coffey, where such service was performed upon its own lines or in connection with lines owned by other exchanges in surrounding counties, excepting

C. L. 86]

where such conversations were *via* long distance lines of what is commonly known as the Bell Telephone Company.

Respondent now proposes to make a charge for all service, either over its own toll lines or the toll lines of rural companies connected with its exchanges, where the conversation either originates without or terminates without Davies County.

The respondent did not show its financial condition. It was not able to state the cost of its rural lines, and it made no showing of any character to indicate that it was in need of additional revenues for the operation of its plant.

The following questions and answers are the whole of the testimony upon this point in the record:

"Q. Why is a charge made at this time when no charge was made in the past?

A. I don't know.

Q. You have some reason for proposing the charge, haven't you?

A. I think it is going to be better; I think it is giving too much of the business away when it isn't necessary; I think it is asking the telephone company to give too much when we maintain the lines. Further than that, we feel we could give better service by having a nominal charge, and we could keep the lines in a better shape.

Q. And be able to keep the lines in a better shape?

A. Yes, sir; because we would receive a little revenue to apply on the line.

Q. How is the expense of these lines now met?

A. Met by taking the money from the general fund and putting it into them.

Q. Which is secured from the local subscribers at Pattonsburg?

A. Yes, sir.

Q. That is the only revenue you have except prorated long distance calls?

A. Yes, sir; we receive a commission from the Southwestern Bell Telephone Company on all calls we put over the line." (Pages 5 and 6, Transcript).

An example of the service to be performed by the respondent will be found by comparing the services from Pattonsburg to Coffey, a distance of 8 miles, with its service to McFall. The first point is located within the county; the line is owned wholly by the respondent, and long dis-

tance service will be performed without cost. The latter is owned in equal parts by the respondent and the exchange located at McFall, and the service will be performed at a cost to the user of 20 cents.

Again, on a call from Pattonsburg to Gilman, a point located just without Davies County, and within the border of Harrison County: the line is owned by the respondent from Pattonsburg to Coffey, and a half interest in the line from Coffey to Gilman. Account Gilman being located without the county, a charge for service will be made; while from Pattonsburg to Gallatin, wholly within the county, no charge for the service will be made by the respondent.

The law requires that service be given without discrimination. The destination of the call should not be the criterion of the charge. It should be based upon the service performed.

If free service is furnished from Pattonsburg to Coffey, with the message having final destination at some point within Davies County, the service should be free over the same line for messages destined without the county.

Local exchanges would not be permitted to make a charge for the use of a subscriber's 'phone for reaching the central office to make a long distance call, while performing the service free upon local calls.

Rates, to be without discrimination, must be based upon the measure of the service performed. The respondent should provide its boundaries upon a basis of service and not upon county lines, as these latter offer no basis for the measurement of telephone service.

From all the evidence in this case, the Commission is of the opinion that the tariffs herein suspended should be canceled without prejudice to the right of the respondent to file tariffs basing its charges without discrimination.

An order in accordance herewith, will issue.

ORDER.

It appearing that on the thirty-first day of July, 1918, the Commission entered upon an investigation concerning

C. L. 86]

the propriety and lawfulness of rates stated in Pattonsburg Home Telephone Company, Tariff P. S. C. Mo. No. 2, and subsequently ordered that the operation of such schedule be postponed until November 28, 1918,

It further appearing that a full investigation of the matters and things has been had, and that the Commission, on the date hereof, has made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof, now, upon the evidence in this case and after due consideration,

It is ordered, 1. That the Pattonsburg Home Telephone Company be, and it is hereby, notified and required, on or before November 28, 1918, to cancel the rates and charges contained in its P. S. C. Mo. No. 2.

Ordered, 2. That this order shall take effect on this date.

Ordered, 3. That the secretary shall forthwith serve upon the Pattonsburg Home Telephone Company and upon Honorable Albert S. Burleson, Postmaster General of the United States, a certified copy of the report and order herein.

Ordered, 4. That the respondent shall, within ten days after the receipt of a certified copy of the report and order herein, notify the Commission in writing, whether the terms of this order will be obeyed.

Ordered, 5. For good cause shown, and without motion, the Commission hereby grants permission to the Pattonsburg Home Telephone Company, or other interested parties, to file motion for rehearing on or before December 7, 1918.

November 26, 1918.

In re APPLICATION OF WALNUT GROVE TELEPHONE COMPANY
TO INCREASE RATES FOR SERVICE.

Case No. 1727.

Decided November 27, 1918.

**Increase in Rates Authorized Upon Improvement in Service Being Made
— 6 Per Cent. Fixed for Reserve for Depreciation — 7 Per Cent.
Fixed for Rate of Return.**

REPORT.

The Walnut Grove Telephone Company herein referred to as applicant, owns and operates a telephone exchange serving the people of Walnut Grove and vicinity. J. C. Wallen owns all the stock, except qualifying shares for directors. Applicant filed a schedule designated in its P. S. C. Mo. No. 1, First Revised, cancelling Original P. S. C. Mo. No. 1, naming increased rates and charges for furnishing such telephone service. Certain subscribers of applicant, having entered protest against such increased telephone rates, the Commission entered its order on August 28, 1918, suspending the effective date of said new schedule for a period of one hundred and twenty days to and including December 29, 1918.

On September 25, 1918, after serving notice to all interested parties, a hearing was held by one of the Commissioners at the Colonial Hotel, Springfield, Missouri, to determine the reasonableness of and necessity for such increased rates. Applicant and a number of protesting subscribers attended and participated in such hearing and the case is before the Commission on the evidence then heard.

THE FACTS.

Walnut Grove is in Greene County and has a population somewhat less than 400. Applicant operates a Monarch 200-capacity local battery switchboard, and the lines are all grounded. Applicant owns and operates 26 business and 37 residence telephones (all direct line), and switches 265

APPLICATION OF WALNUT GROVE TELEPHONE CO. 635

C. L. 86]

Class A rural lines. Applicant gives day service and until 9 P. M., with emergency night service.

The present and proposed monthly rates with the present and proposed monthly revenue are as follows:

Number	Kind	Present		Proposed	
		Rate	Revenue	Rate	Revenue
26	Business	\$1 50	\$39 00	\$1 75	\$45 50
37	Residence	1 00	37 00	1 25	46 25
265	Class A rural	15	39 75	25	66 25
328	.....		\$115 75	.....	\$158 00

Monthly revenues of \$10.00 for Bell toll commissions, \$2.00 for non-subscribers' messages, and \$1.50 for miscellaneous revenues, increase the present and proposed monthly revenues to \$129.25 and \$171.50, respectively, or \$1,551 and \$2,058 annually. The increases sought are 25 cents per month on business and residence telephones and 10 cents per month for switching rural lines, and these increases applied to the telephones above listed will bring additional revenue of \$42.25 per month, or \$507 per annum.

Applicant states that its actual operating expenses not including depreciation are \$131 per month, or \$1,572 per annum. No allowance for depreciation is included. Applicant, therefore, shows an annual operating loss under present rates of \$21.00. The estimated net operating income for one year under the proposed rates will be the sum of \$486.

Applicant's exchange is a one-man affair. J. C. Wallen is general manager, operator, bookkeeper, trouble man and collector. He does not strain our credulity by testifying, "I give my entire time to the business."

He charges his exchange \$80.00 per month as manager and trouble man, and \$25.00 per month as operator. If the

work is well done, it is not excessive. He had a boy to do the trouble work, but he joined the navy. Wallen testified that he expected to get additional help if he could get increased revenues. The other monthly expenses amount to \$26.00 and cannot be criticised.

Mr. Wallen testified that the plant was worth \$4,000. He paid \$3,700 for it in December, 1912, and has added \$500 to the investment since. The proposed increased revenue should produce a net operating income of \$486, including taxes. Calculating depreciation on this plant of 6 per cent. and a return on investment of 7 per cent., or a total of 13 per cent., could not be considered excessive. Four hundred eighty-six dollars is 13 per cent. of \$3,738.46. So that without fixing a value on applicant's plant it is apparent the earnings under the proposed rates will not be excessive. Applicant is contending that the depreciation reserve should be \$26.00 per month, or approximately 8 per cent. on a \$4,000 investment.

Complaints against the service rendered by applicant were made by several witnesses attending the hearing. Mr. Wallen admitted he had promised to renew the line to the Phoenix Marble Company's plant about three miles in length. This line is on a pole line with a number of others and they become crossed and rendered unserviceable. Another complaint is in regard to trouble in securing the attention of the operator for the original call and securing disconnection for a second call. Wallen's son, fifteen years of age, was permitted to operate the switchboard at times. Wallen's son-in-law also ran the switchboard at times when Wallen had to be out looking up line and other troubles. Witnesses admitted that about as many subscribers commended the service as condemned it. Applicant apparently has been criticised for trouble on the farmer-owned lines and on the long distance lines over which he has no control.

CONCLUSIONS.

There is no question in our minds about applicant's proposed rates being entirely reasonable for good service. The

C. L. 86]

switching charge of 25 cents is below the average in this State. However, we are convinced its service is not good. The trouble seems to be that Mr. Wallen has more than he can attend to properly. Applicant should employ some one regularly for at least part of each day to operate the switchboard in order to relieve him for trouble and repair work. The slack should be taken up in lines which become crossed with others. This appears necessary on the Phoenix Marble Company's line especially. The proposed rates will be approved on condition that the service is improved by the employment of an operator for at least half of each week day and on condition that applicant goes over its owned lines and pulls up slack and puts same in good serviceable condition. The Commission will retain jurisdiction in the case and the authority for charging the increased rates will be withdrawn if it hereafter appears to the Commission that applicant does not continue to give improved service.

Let an order issue accordingly.

ORDER.

This case, being at issue upon the order of the Commission suspending the Walnut Grove Telephone Company schedule P. S. C. Mo. No. 1, First Revised, cancelling its Original P. S. C. Mo. No. 1, and a full hearing and investigation of the matters at issue having been had and the Commission on the date hereof having made and filed its report in this case which is herein referred to and made a part hereof, and now upon full consideration, and after due deliberation,

It is ordered, 1. That the Commission finds that the rates and charges set out in the schedule of said company, above referred to, are just and reasonable, and said Walnut Grove Telephone Company should be permitted to collect such rates and charges as maximum rates for furnishing telephone service at Walnut Grove, Missouri, from and after the time, and upon the conditions hereinafter set out.

Ordered, 2. That said Walnut Grove Telephone Company shall improve its service at Walnut Grove by employing an additional switchboard operator for at least one-half of each week day to enable its manager, J. C. Wallen, to put the outside lines in good condition by going over the lines and pulling up the slack and removing crosses with other lines and by putting said company's lines in good serviceable condition. All such repairs and improvements should be completed by January 1, 1919.

Ordered, 3. That this order shall be in full force and effect from and after ten days from the date hereof.

Ordered, 4. That said Walnut Grove Telephone Company be authorized to charge the rates provided for in the schedule above described on and after January 1, 1919, upon condition that it complies with the provisions of paragraph one of this order, and gives and continues to give good telephone service at Walnut Grove, Missouri, and the Commission hereby reserves jurisdiction of this case for the purpose of enforcing the provisions of this order, and expressly reserves jurisdiction for the purpose of revoking the authority of the Walnut Grove Telephone Company to charge said rates in the event said company fails or refuses to render sufficient and adequate telephone service.

Ordered, 5. That the secretary of the Commission shall forthwith serve a certified copy of this report and order on the Walnut Grove Telephone Company, and upon the Phoenix Marble Company of Walnut Grove, Missouri, and said Walnut Grove Telephone Company be required to notify the Commission in the manner provided by Section 25 of the Public Service Commission Law whether the terms of this order are accepted and will be obeyed.

November 27, 1918.

C. L. 86]

In re SUSPENSION OF RATES OF WEST LAWN MUTUAL TELEPHONE ASSOCIATION AT LEETON.

Case No. 1696.

Decided November 29, 1918.

Annulment of Switching Charges Approved.

ORDER.

The Commission, having by its order of record in this case, on the thirty-first day of July, 1918, upon its own initiative, suspended the operation of the proposed new schedule of rates for telephone service filed by the West Lawn Mutual Telephone Company containing the elimination of a 25-cent charge for switching the Post Oak Telephone System, such schedule being known as P. S. C. Mo. No. 2, First Revised, and hearing having been held and full investigation of the matters and things involved having been had,

Now, upon the evidence in this case, and after due deliberation,

It is ordered, 1. That the proposed schedule of rates as filed by the West Lawn Mutual Telephone Company, annulling the 25-cent charge for switching the Post Oak Telephone System, shall become effective December 1, 1918.

Ordered, 2. That this order shall take effect on December 1, 1918, and that the secretary of the Commission shall forthwith serve upon the parties hereto a certified copy of this order, and that the company shall immediately notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

November 29, 1918.

In re SUSPENSION OF RATES OF BUTLER-RICH HILL TELEPHONE COMPANY, BUTLER, MISSOURI.

Case No. 1498.

Decided December 5, 1918.

Previous Order,* Authorizing Toll Rates Applicable in Town Whose Franchises Provided for Free Service, Suspended Pending a Hearing.

SUPPLEMENTAL ORDER NO. 5.

It appearing to the Commission that the Butler-Rich Hill Telephone Company on November 1, 1918, put into effect certain toll rates and charges for messages between points in Bates County, as contained in the schedule filed by the said telephone company with the Commission on August 16, 1918, and that said telephone company is now charging and collecting under such schedule rates and charges for messages between Rich Hill and other points in Bates County, named in such schedule;

And it further appearing, that the lawfulness and reasonableness of the rates between Rich Hill and the other points named in such schedule have been heretofore considered or determined* by the Commission, and protest having been made to the Commission that such rates, in so far as they affect citizens of Rich Hill, are unlawful and unreasonable, therefore,

It is ordered, 1. That the operation of that part of the schedule of the Butler-Rich Hill Telephone Company providing toll rates for messages of three minutes, filed with the Commission on August 16, 1918, which provides rates for messages between Rich Hill and other points in Bates County, therein named, be, and the same is hereby, suspended and postponed from and after the tenth day of December, 1918, pending a hearing and decision upon the lawfulness and reasonableness of said rates and charges; *provided, however*, that nothing herein shall be construed as affecting in any way the operation of the toll rates and

* See Commission Leaflets No. 81, p. 930 and No. 85, pp. 427, 433, and 434 note.

C. L. 86]

charges contained in said schedule for messages between Butler and other points in Bates County, therein named, and Spruce and other points in Bates County, therein named, which rates and charges have been approved by the Commission and ordered effective as of November 1, 1918, by Supplemental Order No. 4* herein.

Ordered, 2. That so much of the provisions and terms of Supplemental Order No. 4* herein as conflict with the provisions and terms of this order, be, and the same are hereby, set aside, cancelled and held for naught.

Ordered, 3. That the Commission, under and by virtue of the authority conferred upon it by Section 94 of the Public Service Commission Law, enter upon a hearing concerning the propriety and lawfulness of the proposed rates and charges contained in said schedule filed with the Commission on August 16, 1918, in so far as same apply to messages between Rich Hill and other points in Bates County, therein named.

Ordered, 4. That this order shall take effect on the tenth day of December, 1918, and that the secretary of the Commission forthwith serve on said Butler-Rich Hill Telephone Company, and upon Mr. H. E. Sheppard, city attorney, Rich Hill, Missouri, a certified copy of this order.

December 5, 1918.

In re SUSPENSION OF RATES OF APPLETON CITY TELEPHONE
EXCHANGE AT APPLETON CITY.

Case No. 1777.

Decided December 7, 1918.

**Increase in Rates Authorized — 6 Per Cent. Fixed for Reserve for
Depreciation — 7 Per Cent Fixed as Rate of Return — Allow-
ance for Working Capital Fixed at One-twelfth of
Yearly Expenses — Night Emergency Service
Authorized.**

Applicant, which gives grounded service to 603 stations, filed a schedule increasing rates by from 25 to 50 per cent., which would increase the

* See Commission Leaflet No. 85, pp. 427, 433, and 434 note.

annual revenues from \$7,900 to \$9,982 annually. Applicant's balance available for reserve for depreciation and return in 1917 was \$2,043.92 and the proposed rates would increase this to \$3,699. Applicant's engineer, using pre-war prices averaged for the five years previous to 1914, fixed the cost new value of the plant at \$25,135 and cost new less depreciation value at \$19,451, excluding any allowance for working capital or going concern value. He estimated the working capital at \$900, being six weeks' expenses, and fixed going concern value at 10 per cent., or \$3.00 per station on a per station value of \$30.00.

Held: That an allowance of 1/12 of the annual expenses for working capital should be sufficient;

That the Commission would not fix a valuation on any utility plant upon an entirely *ex parte* showing, but was justified in assuming \$22,000 tentatively as the value of the applicant's property used and useful in the telephone business;

That 6 per cent. was an ample allowance for reserve for depreciation and 7 per cent. was ample for return on investment, and since such percentages, on an investment of \$22,000, would amount to \$2,860, the proposed rates would produce excessive revenue in the sum of \$839, and the schedule filed should be cancelled and applicant should be permitted to file a new schedule of rates that would produce a gross revenue resulting in an increase not in excess of \$1,243 over the 1917 revenues;

That applicant should be permitted to promulgate a rule providing for giving full service from 5:00 A. M. to 11:30 P. M. daily with emergency service from 11:30 P. M. to 5:00 A. M., in accordance with an agreement between the parties to that effect, which also provided that what were emergency calls should be determined in all cases by the patrons of the line.

REPORT.

On August 28, 1918, the Appleton City Telephone Exchange, herein called applicant, filed in the office of the Commission its schedule known as its P. S. C. Mo. No. 2, cancelling its Original P. S. C. Mo. No. 1, the same being a schedule of proposed rates for telephone service furnished to the residents of Appleton City, Missouri, and vicinity, to be charged on and after October 1, 1918. On September 26, 1918, the Commission entered an order suspending the effective date of said schedule for a period of one hundred and twenty days to and including January 28, 1919, for the purpose of determining the necessity for and reasonableness of the increased rates provided for in said new schedule.

C. L. 86]

After the usual notices of the time and place, a hearing was held before one of the Commissioners at Nevada, Missouri, on November 9, 1918, at which hearing applicant was represented by its counsel, *J. W. Miller* and the city of Appleton City was represented by its mayor, *L. C. Kidd*. The evidence was heard at that time and place, and the case was submitted to the Commission upon such evidence. On November 12, 1918, applicant filed application for a supplemental order or rule not contained in the schedule under consideration, requesting authority to charge an additional 10 per cent. above the rates specified in said schedule if bills for telephone service be not paid on or before the tenth day of the month for which said bill is rendered.

THE FACTS.

The Federal census of 1910 fixes the population of Appleton City at 1,018. The telephone exchange is owned by *F. L. House* individually. The switchboard is the Kellogg magneto type with local batteries, and was installed in 1915. The lines are all grounded. The electric light plant generates direct current and no complaint is made of interference or noise on the grounded telephone lines by reason of induction. The mayor of Appleton City, *Mr. L. C. Kidd*, testified that the exchange gave good service and there were no complaints except as to the hours of service. *H. G. Sunderwirth* and *H. L. Rogers* had written letters to the Commission objecting to applicant's proposal to close the exchange for ordinary service between the hours of 9 P. M. and 6 A. M.

At the hearing, *Mr. Miller*, attorney for applicant, dictated the following agreement into the record:

"We have agreed that the Appleton City Telephone Exchange shall be held open at night until 11:30; that it shall be opened in the morning at 5:00 A. M., and that during those periods we shall have a night man on duty who shall answer all emergency calls, and the question of what shall determine 'emergency calls' shall, in all cases, be governed by the patrons of the line."

This was agreed to by Mayor Kidd, and Messrs. Sunderwirth and Rogers withdrew their objections in view of the

agreement. No objections were made to the increases in rates proposed.

The total number of telephones owned, operated and switched is 603. A comparison of present and proposed rates and monthly revenues follows:

Number	Classification	Rates		Monthly Revenue	
		Present	Proposed	Present	Proposed
	<i>Business:</i>				
27	Direct line	\$1 50	\$2 00	\$40 50	\$54 00
4	Extension	75	1 00	3 00	4 00
41	Desk sets	1 50	2 25	61 50	92 25
	<i>Residence:</i>				
262	Direct line	1 00	1 25	262 00	327 50
1	Two-party	1 00	1 25	1 00	1 25
2	Extension	50	75	1 00	1 50
12	Desk sets	1 00	1 50	12 00	18 00
	<i>Rural:</i>				
90	Class A (switching)	33½	50	30 00	45 00
160	Class B	1 00	1 25	160 00	200 00
4	Class D	50	75	2 00	3 00
603	.....	.....	.....	\$573 00	\$746 50

The monthly commissions for the Bell company amount to \$31.54; for company owned toll lines, \$9.62, and miscellaneous monthly revenues amount to \$44.23, thus bringing monthly revenue under present and proposed rates up to \$658.39 and \$831.89, respectively, and annual revenues to \$7,900.68 and \$9,982.68, respectively.

The 1917 expenses of applicant, including taxes and excluding depreciation, were, \$6,131.76, leaving the sum of \$1,768.92 available for depreciation and return on investment. The items "maintenance" and "other expenses" are for July, 1918. It does not appear whether the maintenance charges for that month are excessive or not and we must assume it is an average month. However, the July "other expenses" includes an item of \$25.00 for directories and the evidence shows this to be an annual and not a monthly charge. Treating it as a monthly charge makes this item excessive by the sum of \$275 for the year. Making

C. L. 86]

this adjustment we find the 1917 expenses to have been \$5,856.76, leaving the sum of \$2,043.92 as the adjusted balance available for depreciation and return.

F. L. House, the owner of applicant exchange, testified as follows concerning estimated increased expenses:

"Q. Now, in your statement of the estimated expenses you put a \$20.00 a month increase — four operators. Has that been put in effect?

A. Yes, sir.

Q. Actually being paid at the present time?

A. Yes, sir.

Q. 'Trouble man',— you have \$65.00 a month increased to \$75.00?

A. Still paying him \$65.00.

Q. You expect to increase that, if you have the funds?

A. Yes, sir.

Q. What class of service is included in that item, 'other employees'?

A. Such as extra hired help that you use to go out and re-wire lines.

Q. Your \$5.00 increase on that is just an estimate?

A. Yes, sir, just an estimate.

Q. You have a \$3.00 a month increase on rent. Is that an actual increase on rent?

A. No.

Q. What reason for putting it in there? Have you been served with notice that you would have to pay more rent?

A. No, I have not, yet, but the rent I have been giving is exceedingly low. Other rents in town have advanced.

Q. Has there been any increase in your light bill?

A. No, sir, but there will be.

Q. What kind of light?

A. Electric light.

Q. Have you any electric power in your plant?

A. No, no electric power.

Q. You expect a monthly increase of about \$42.00 in your maintenance account?

A. Yes, sir.

Q. What items do you expect that increase to accrue?

A. Such as linemen work, batteries, receivers' cords and the like.

Q. Any portion of that increase already accrued?

A. No, sir.

Q. That is just an estimate?

A. Just an estimate; that is gradually increasing right along, and has been.

Q. Do I understand these figures, \$158.05, are the figures for July?

A. Yes, sir.

Q. Had it been increasing up to that time, monthly?

A. Yes, sir, it has.

Q. You have an item under your expense account entitled 'other expenses' of \$13.05 for auto expense. You have an auto to patrol your lines?

A. Yes, sir.

Q. That is all the expense you have in keeping that up a month?

A. That is an average.

Q. That is charged in the capital account, in the capital investment?

A. Yes, sir.

Q. You have an item here, \$25.00 for directories. Is that a monthly expense?

A. No, sir. We get them out about once a year.

Q. That should not be charged in your monthly expense account?

A. It was taken for this particular month.

Q. The proper expense then for that would be about \$2.00 a month?

A. Something like that."

It, therefore, appears that applicant's estimated expense on account of items, other employees, rent, light and heat, and maintenance are not established by the evidence and the estimate should be reduced to that extent. We have already called attention to the charge for directories contained in item of "other expenses." The actual expenses of \$158.05, and account of item, "maintenance," are the figures for July, 1908, and the evidence discloses these expenses have been on the increase up to July. Applicant's expectation of further increases is a mere estimate not based on facts shown in evidence. In view of the cessation of actual fighting in the great world war, it is not believed any allowance for further increases on this item will be justified.

With these adjustments, and omitting depreciation, we find the following to be a proper estimate of monthly expenses, considering necessary increases, to-wit:

Manager	\$100 00
Four operators	130 00
Trouble man	75 00
Other employees	5 00
Rent	7 00
Light and heat.....	5 00
Insurance	1 59
Taxes	10 00
Maintenance (actual for July, 1918).....	158 05
Other expenses (adjusted for excessive directory charge).....	32 00

TOTAL \$523 64

C. L. 86]

The estimated expense for one year, therefore, will be fixed at \$6,283.68.

As previously shown, applicant expects a gross annual revenue of \$9,982.68 if the proposed rates are authorized. A net sum of \$3,699 applicable to depreciation and return should be realized from the revenue to be expected under the proposed increased rates.

Applicant employed Mr. W. S. Polk, a consulting engineer of Kansas City, Missouri, to make an inventory and appraisal of applicant's telephone exchange at Appleton City. He prepared his report and filed same as part of his evidence. His valuation is of date July 31, 1918. He used pre-war prices in his appraisal, taking an average of five years previous to 1914. He fixed the cost new at the sum of \$25,135, and cost new less depreciation at the sum of \$19,451. Neither figure included any allowance for working capital or going concern value. He testified that \$900 was a proper allowance for working capital and \$491 for stores and supplies. He assumed an expense of \$600 per month and based his working capital on six weeks' expenses and thus arrived at \$900. One-twelfth of the annual expenses should be sufficient. An allowance of \$1,000 for working capital and stores and supplies appears to be sufficiently large for this item. Mr. Polk fixed the per station value at \$30.00 and testified that \$3.00 to \$4.00 per station should be added for going concern value. He estimated the proper depreciation reserve to be 6 to 7 per cent.

From his testimony, we produce the following:

Cost of exchange, less depreciation.....	\$19,451 00
Working capital and stores and supplies.....	1,391 00
Going value (10 per cent.).....	1,945 10
	<hr/>
	\$22,787 10

The valuation of Mr. Polk is *ex parte* but the unit prices used are conservative. We are unable to value all of the utility plants of various kinds that are before us for consideration. No objection to the increases asked is made by the city authorities at Appleton City; hence the city has not gone to the trouble and expense of an independent valua-

tion. While the Commission will not fix a valuation on any utility plant upon an entirely *ex parte* showing, we feel we would be justified in this case in assuming the figure at \$22,000 as tentatively the value of applicant's property at Appleton City used and useful in its telephone business.

CONCLUSIONS.

After adjusting applicant's estimated expense accounts, we have found the proposed rates should yield a net applicable to depreciation and return in the sum of \$3,699 per annum. Six per cent. is an ample allowance for depreciation and 7 per cent. is ample for return on investment. The sum of these two percentages, or 13 per cent., applied to an investment of \$22,000, would amount to \$2,860. It, therefore, appears that the proposed rates will produce excessive revenue in the sum of \$839 and that the proposed rates are unreasonably high and excessive.

We have shown above that applicant's expenses for one year under adjusted estimated increases will be \$6,283.68. Adding to this the above sum of \$2,860 makes the sum of \$9,143.68 as the gross revenue applicant should be permitted to earn, or an increase of \$1,243 over the 1917 revenues instead of \$2,082 as asked by applicant.

It, therefore, follows that the schedule under suspension should be cancelled and applicant should be permitted to file a new schedule of rates, effective on short notice, that will produce a gross revenue not in excess of \$9,143.68, for the consideration and approval of the Commission. Applicant should also promulgate in said schedule a rule providing for regular service from 5 A. M. to 11:30 P. M. daily with emergency service from 11:30 P. M. to 5 A. M. daily. Applicant will also be authorized to provide in said schedule for a penalty of 10 per cent. of the face of monthly bill not paid on or before the tenth day of the month for which same is rendered, and to bill for service in advance.

An order in accordance with the conclusions herein set out will issue.

All concur.

ORDER.

The Commission on September 26, 1918, having entered an order suspending the effective date of the schedule of the Appleton City Telephone Exchange, known as its P. S. C. Mo. No. 2, cancelling its Original P. S. C. Mo. No. 1, same being a schedule of proposed rates for telephone service at Appleton City, Missouri, and a full investigation of the matters and things involved in said case having been had at a hearing held in Nevada, Missouri, on November 9, 1918, and the Commission on the date hereof having made and filed its report herein, which report is hereby expressly referred to and made a part hereof, and the Commission being fully advised, and after due deliberation,

It is ordered, 1. That the Commission finds that the present rates and charges of said Appleton City Telephone Exchange provided for in its schedule known as its P. S. C. Mo. No. 1, are unreasonably low and unremunerative.

Ordered, 2. That the Commission finds that the rates provided for in the schedule of said Appleton City Telephone Exchange, known as its P. S. C. Mo. No. 2, cancelling its Original P. S. C. Mo. No. 1, are unreasonably high and excessive and said company is required on or before the effective date of this order to cancel the same.

Ordered, 3. That the Commission finds that said Appleton City Telephone Exchange is entitled to earn a gross annual revenue for its telephone service at Appleton City in a sum of not exceeding \$9,143.68, and said company is hereby authorized to file with the Commission its schedule of rates providing for increases over present rates in such amounts as to earn said sum of \$9,143.68, such schedule to become effective upon short notice and to be submitted to the Commission for its consideration and approval.

Ordered, 4. That said Appleton City Telephone Exchange be permitted in said new schedule to promulgate a rule providing for giving full service from 5 A. M. to 11:30 P. M. daily with emergency service from 11:30 P. M. to 5 A. M. daily, and also be permitted to provide in said schedule for a rule fixing a penalty of 10 per cent. of the face of the

monthly bill if same is not paid on or before the tenth day of the month for which the same is rendered and to bill for service in advance.

Ordered, 5. That any and all increases of rates herein authorized to be provided for in the schedule aforesaid to be hereafter filed shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates shall cease without further notice, and the rates and charges of said Appleton City Telephone Exchange shall then be reduced and restored by it to the rates now on file and charged by it; *provided*, that the Commission may hereafter, by further order, continue such increase in rates and charges for another and further period or otherwise change or modify such rates and charges, either upon the evidence before the Commission or upon evidence to be hereafter submitted, and for the purpose of making such changes in said rates the Commission hereby fully retains jurisdiction of this case.

Ordered, 6. That said Appleton City Telephone Exchange be required to keep a full and accurate account of the revenues and expenses of its said exchange, and file a full and complete report thereof with the Commission at the expiration of said period of one year above provided for, which report shall be in addition to any other reports required by law.

Ordered, 7. That this order shall be in full force and effect from and after ten days from the date hereof.

Ordered, 8. That the secretary shall forthwith serve a certified copy of this order upon the Appleton [City] Telephone Exchange and upon L. C. Kidd, mayor of Appleton City, Missouri, and upon Hon. A. S. Burleson, Postmaster General, and that said Appleton City Telephone Exchange on or before the effective date hereof shall notify the Commission in the manner provided by Section 25 of the Public Service Commission Law whether the terms of this order will be accepted and obeyed.

December 7, 1918.

In re SUSPENSION OF RATES OF FARMERS' AND MERCHANTS'
TELEPHONE COMPANY OF ODESSA.

Case No. 1650.

Decided December 18, 1918.

**Increase in Rates Authorized—Approximately 7 Per Cent. Estimated
for Reserve for Depreciation—8.3 Per Cent. for Rate of
Return Considered Excessive—Estimate of Reduction
in Number of Subscribers Rejected.**

The Farmers company, which has \$19,000 stock outstanding and furnishes service to 530 of its own stations and 399 rural stations owned by the subscribers, filed a schedule increasing rates by from 25 per cent. to 35 per cent. The company filed a valuation of \$32,604.69 which included overhead expenses, cost of establishing business, working capital, surplus and reserve for depreciation. In recent years the company had paid 6 per cent. dividends and in 1917 set aside 7 per cent. for reserve for depreciation, and had left a net balance available for return of \$1,858.07, excluding miscellaneous income of \$602.75. The Commission estimated that the proposed rates would give a net revenue for return, allowing 7 per cent. for reserve for depreciation, of \$4,808.48, and that present rates would give a net revenue for return of \$1,607.68, or 4.8 per cent.

Held: That as the case was permitted to rest upon the valuation fixed in the application, the Commission would, for the purposes of the case, take that valuation as substantially correct, giving the company the benefit of any slight current additions, and would fix the amount at the round figure of \$33,000;

That although abnormal conditions existed and there was an unavoidable increase in the expenses of operation, and the company should have a small measure of relief, it should also bear its share of the burdens which were inevitable, and a return of 8.3 per cent. or more, which the proposed rates would yield after making provision for probable expenses and reserve for depreciation, was excessive and, therefore, the full increase in rates should not be allowed;

That the schedule filed should be cancelled and a schedule should be filed increasing rates on different classes of service by from 2½ cents to 25 cents per month, which would yield a net revenue available for return of \$2,248.72, or 6.8 per cent.;

That the company's estimate of future revenues, based upon a 10 per cent. reduction in the number of subscribers, would not be followed, as no evidence was offered or reasons given why there would be such reduction, and no protest was filed against the increased schedule, and few persons appeared to complain.

REPORT.

The Farmers' and Merchants' Telephone Company, a Missouri corporation organized in 1906, with an authorized capital stock of \$20,000, and an actual issue of \$19,000, owns and operates for hire a telephone system at the city of Odessa. The stock is owned by citizens of Odessa and vicinity.

It has physical connections with certain long distance toll lines, and owns and operates various rural lines, and in addition thereto furnishes switching service for a number of farmer-owned lines connected with its exchange at Odessa.

The company filed with the Commission its schedule known as P. S. C. Mo. No. 3, to be effective July 1, 1918, carrying certain increases in rates and cancelling its previous schedule, P. S. C. Mo. No. 2. The new schedule was accompanied by an application in the usual form.

The Commission, of its own motion, ordered that a hearing be entered into as to the propriety and lawfulness of the proposed rates, and pending the hearing, suspended the new schedule for one hundred and twenty days to and including October 28, 1918.

The company later filed with the Commission an inventory and valuation of its property made by the Topping Valuation Company of Kansas City, Missouri, setting forth in detail the various units composing the properties, with estimates of cost new, depreciation value, annual depreciation and the like.

The estimates of value included the elements of overhead expenses, cost of establishing business, working capital, supplies, depreciation reserve and other kindred subjects.

The proposed increases in rates under the new schedule are as follows:

Residence, direct line, from \$1.00 to \$1.25 per month.

Residence, two-party line, from \$1.00 to \$1.25 per month.

Class A, rural switching, from \$4.50 to \$6.00 per annum.

Class B, rural switching, from \$12.00 to \$15.00 per annum.

Also charge of \$1.00 for extra direct-line business telephone.

C. L. 86]

A hearing was held on the fifth day of August, 1918, before a special examiner at the city of Odessa. Prior thereto a written notice of the time and place of hearing was transmitted by the secretary of the Commission to the mayor of Odessa, and the Commercial Club in that city, and a notice was also published in the local newspapers.

No protest against the increases in rates was filed.

At the hearing the company was represented by its manager and several members of its board of directors. No one appeared for the Commercial Club, but the mayor, *Mr. J. J. Lightner* attended, and there also appeared one or two citizens of Odessa, subscribers of the company, and two subscribers of one of the farmer-owned lines, designated as the J line, who testified as to the character of the service.

The company operates in the city of Odessa, 68 business 'phones and 364 residence 'phones. It furnishes service to 166 subscribers on farm lines owned by the company, and to 399 subscribers upon lines owned by the farmers themselves.

The complaints made by the few persons appearing and giving testimony were all to the same effect. The testimony of each of said witnesses was that after having secured connection with another 'phone, it was difficult to ring off, or to again reach the central operator, either where the subscriber, having given the wrong number, desired to have the error corrected, or where the subscriber, having received the desired connection and finished his conversation, sought to reach the central operator for the purpose of immediately making another connection. There was no complaint of lack of courtesy on the part of the operators, nor was it contended that ordinarily it was difficult to secure the attention of the central operator in the first instance.

It was conceded by the witnesses that the farmer-owned lines, and specifically the one designated as the J line, were in bad repair, and that on some of said lines, there was a

larger number of 'phones than was consistent with first class service.

These witnesses were of the opinion that the poor service complained of by them resulted in equal measure from want of experience by the operators and from the poor state of repair of the farmer-owned lines.

The mayor testified that sometimes the service in the town was defective in the particular above-mentioned, and attributed the same either to lack of good switchboards, or to want of proper attention at times by the operators. He did not oppose the increase in rates. His position is plainly stated in his own language, found at page 21 of the record:

"We don't have any arguments and I do think there is a little room for improvement in the service, but I think this raise they are asking for is just, and personally I am for it."

The witnesses, subscribers on the J line, based their objection to the increase solely upon their contention that the service was defective in the particular referred to, on the J line and other farmer-owned lines; and urged that considering the character of the service received by them, they were already paying all it was worth.

On behalf of the company, it was shown that the switchboard in use was of the magneto type, and had been practically rebuilt about one year and a half before the time of the hearing, with all new cord circuits, key equipment and lamp supervision for each cord. The wire system in the town is nearly all cabled, there being only about one-quarter mile of open wire. The service for the farmer-owned lines, and particularly the line designated as the J line, is carried through a cable terminating at the city limits, and then over a quarter of a mile open wire lead to a union with the lines owned and kept up by the farmers.

The manager of the company insisted that the plant was in good condition, and that the defective service complained of, insofar as it existed, was due to the inability of the company to secure and retain experienced operators at the wages being paid, and on the farmer lines, also to their bad state of repair.

VALUATION OF THE PLANT.

The books of the company were not offered in evidence, nor was any testimony offered concerning them. In its application for an order of approval of the new schedule of rates, the company placed the total plant value of its properties at the sum of \$32,604.69. It owns no land nor buildings. The greater portion of the earnings over expenses, particularly in the first few years of its operations, has gone back into the plant in replacements and extensions. The valuation made by the engineer, filed with the Commission, was not offered in evidence at the hearing, nor did the company's officers nor anyone else make it the basis of any claim, demand or testimony.

The case, so far as it involves the valuation of the properties used by the company in the service of the public, was permitted to rest upon the valuation fixed thereon in the application. That being true, we will, for the purposes of the case, take that valuation as substantially correct, giving the company the benefit of any slight current additions, and fix the amount at the round figure of \$33,000.

THE PRESENT EARNINGS.

During the early years the company paid out no dividends to the stockholders, but in more recent years it has paid annual dividends of 6 per cent. upon the \$19,000 of stock issued.

For the year ending December 1, 1917, it paid this 6 per cent. dividend of \$1,140 to its stockholders, and added the sum of \$1,320.82 to surplus. This was after charging up \$2,028 for depreciation, which was approximately 7 per cent. of the plant value as given at the beginning of the period. The total amount of the depreciation reserve at the end of the year, including the aforesaid sum of \$2,028, was \$5,309.89.

The telephone operating revenues for the year 1917, were \$10,125.25. The operating expenses for the same period, including \$2,028 for depreciation, were \$8,008.87, leaving from operation the sum of \$2,116.38. From this the company properly deducted the sum of \$178.38 for taxes. There

was also charged against it the further sum of \$79.93 for interest accrued, or together the sum of \$258.31, leaving the clear net earnings of \$1,858.07.

The last named sum, for the purposes of our inquiry, leaves out of account the company's miscellaneous income for the year, of \$597.25, and the small net revenue from other operations of \$5.50, a total of \$602.75. The last named sum forms part of the aforesaid amount of \$1,320.82 credited to surplus at the end of the year. The aforesaid sum of \$1,858.07, therefore, represents the profits of the company from its public operations for the year of 1917.

ESTIMATE OF EXPENSES.

The company's estimate of its total annual expenses under the increased costs of materials, labor, taxes and the like, set forth in its application, is \$9,016.80. The principal item of increase involved is the amount paid to operators. In 1917 the company paid to its operators the sum of \$2,827.20. It is now paying to operators wages amounting in the annual sum to \$3,388.80, an increase in that item of \$561.60. It estimates wages for its troubleman of \$65.00 per month against the \$60.00 formerly paid, an increase for the year of \$60.00. The salary for the manager was, and remains \$100. It estimates its taxes for the current year at \$360 as against the sum of \$178.38 paid in 1917, an increase of \$181.62. The estimated increase for insurance is \$12.60. The estimated average monthly expenses for maintenance, including livery hire, was fixed in the application at \$60.00, or \$720 for the year. The actual expenses involved in maintenance, livery and the like for the month of April, 1918, as set out in the application, were \$56.60. Upon the hearing the manager testified that the estimate of \$60.00 per month for those items was made upon the basis of the above-mentioned actual expense of \$56.60 for the month of April. He testified that an examination had disclosed that the actual expenses for the month of April, 1918, for those items, was below the monthly average for the year; that the average monthly expense for the year

C. L. 86]

1917 for the items immediately under consideration, was \$78.38. This is in accord with the company's annual report for the year 1917, which shows a total for these items of \$940.59, or, an average monthly expense of \$78.38, as stated, a difference of \$21.78 between the actual outlay in April, 1918, and the monthly average of the year 1917 for the same items. It was, therefore, urged that the estimated monthly expense of \$60.00 should be increased by this difference of \$21.78, changing the annual estimate for the purpose under consideration from \$720 to \$981.36, and adding the difference between the last named sums, \$261.36, to the total estimate of \$9,016.80, making an amended total estimate of annual expense of \$9,277.16.* This estimate includes also the sum of \$2,280 for depreciation.

ESTIMATED EARNINGS.

The company, in its application, estimates its earnings for a year under the present rates at the sum of \$10,130.75. It estimates its earnings for a year under the proposed rates at \$12,017.64. Considering the aforesaid sum of *\$9,277.16 as a proper allowance for annual expenses, including depreciation, we have net earnings of \$2,740.48, a return of 8.3 per cent. on \$33,000.

It is realized that abnormal conditions exist, that there is an unavoidable increase in the expenses of operation, and that this company should have a small measure of relief. But, while this is so, the company should also bear its share of the burdens which are thus inevitable, and it is considered that a return of 8.3 per cent. after making fair provision for the probable expenses and for depreciation, is excessive, and for that reason the full increase in rates applied for cannot be allowed.

But, there is another reason that must be taken into account in considering the proposed rates and the amount of the estimated revenue to be derived therefrom. This latter reason will now be considered.

* An error is apparent.

The company's statement of the sources and amount of its annual revenues, under the existing schedule, is shown by the following table:

<i>Exchange Classification</i>	<i>Number of Stations</i>	<i>Rate</i>	<i>Revenue</i>
Business, direct line.....	67	\$2 00	\$134 00
Business, extension	7	50	3 50
Business, direct line.....	345	1 00	345 00
Residence, desk set.....	4	1 25	5 00
<i>Rural:</i>			
Class B, company-owned lines and equip- ment	166	1 00	166 00
Class A, switching, farmer-owned lines and instruments	399	37½	149 60
TOTAL	988		\$803 10
Toll commission, Bell			28 70
Toll commissions, Independent			31 76
Toll, company-owned lines.....			22 51
TOTAL ALL REVENUE MONTH			\$886 07
TOTAL ALL REVENUE YEAR			* \$10,130 76

The company's estimate of the sources and amount of annual revenues under the proposed rates is set forth in the following table:

<i>Exchange Classification</i>	<i>Number of Stations</i>	<i>Rate</i>	<i>Revenue</i>
Business, direct line.....	67	\$2 00	\$134 00
Business, extension	7	50	3 50
Residence, direct line.....	330	1 25	412 50
Residence, desk set.....	4	1 50	6 00
<i>Rural:</i>			
Class B, company-owned lines and equip- ment	150	1 25	187 50
Class A, switching, farmer-owned lines and instruments	350	50	175 00
TOTAL	908		\$918 50

* \$10,632.84[?]

C. L. 86]

Toll commission, Bell	\$28 70
Toll commission, Independent	31 76
Toll, company-owned lines.....	22 51

TOTAL ALL REVENUE MONTH..... \$1,001 47

TOTAL ALL REVENUE YEAR..... \$12,017 64

As hereinbefore stated, the evidence of Manager Cooper at the hearing was that the company had in service 'phones, as follows:

Business	68
Residence	364
Rural, Class A	399
Rural, Class B	166

It will be noted that in the first of the foregoing tables the number of residence 'phones is given as 345, while in the second, the table of estimated revenues, the numbers of each kind are given as follows:

Residence	330 instead of 364
Rural, Class A	350 instead of 399
Rural, class B	150 instead of 166

There is thus a reduction in this estimate of the numbers of these three classes of 'phones in service of 10 per cent. below the number in each class shown to be actually in service at the time of the hearing.

There was no evidence offered at the hearing upon this subject, that is, the probable percentage of loss in customers the company would sustain by reason of an increase in rates to the extent asked for, nor any reason given for not estimating revenues upon the number of 'phones in actual service.

In view of this, and of the fact that no protest was filed against the proposed increase, and that so few persons appeared to complain, we cannot accept the company's estimate, nor make it the basis of computation of earnings, but will take the actual number of 'phones in service as affording the proper basis.

The number of 'phones shown to be in service at the time

of the hearing, at the proposed rates, and allowing for toll service at the rate of \$82.97 per month as estimated by the company, would yield a total annual revenue of \$13,085.64. If we deduct from this sum the foregoing amount of *\$9,277.16 for expenses and depreciation, we have left *\$4,808.48 as the sum of earnings. This would be much in excess of a reasonable return.

Taking the number of 'phones actually in service at the present rate, for each kind of service, and taking the monthly receipts for the various forms of toll service given by the company, as correct, we have:

<i>Exchange Classification</i>	<i>Number of Stations</i>	<i>Rate</i>	<i>Revenue</i>
Business, direct line.....	68	\$2 00	\$136 00
Business, extension	7	50	3 50
Residence, direct line.....	364	1 00	364 00
Residence, desk set.....	4	1 25	5 00
<i>Rural:</i>			
Class A, switching farmer-owned lines and instruments	399	37½	149 60
Class B, company-owned lines and equipment	166	1 00	166 00
Tolls, total			82 97
TOTAL MONTHLY REVENUE			\$907 07
REVENUE FOR A YEAR.....			10,884 84
Deducting from this above allowance for expenses and depreciation			* 9,277 16
LEAVING NET YEARLY REVENUE.....			\$1,607 68

This is a return of 4.8 per cent. on \$33,000.

CONCLUSIONS.

The conclusion reached is that the company should be permitted to make a slight increase in its rates. This increase should be distributed among patrons in all the classes of service, and include subscribers to business as well as residence 'phones.

* An error is apparent.

C. L. 86]

An increase of 25 cents per month for 68 business 'phones; of 5 cents per month each for 530 residence and Class B rural subscribers, and of $2\frac{1}{2}$ cents per month for 399 Class A rural subscribers, will yield an added revenue of *\$53.42 per month, or \$641.04 for the year. This added to the foregoing sum of \$1,607.68 would constitute a net return for one year of \$2,248.72, which is 6.8 per cent. of \$33,000.

The schedule filed should be cancelled, and in lieu thereof, a schedule filed fixing rates in accordance with the foregoing conclusions.

An order will be entered in accordance with this report.

ORDER.

This cause being at issue upon application to increase rates and the suspension of same, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed its report herein containing its findings of fact and conclusions thereon, which said report is referred to and made a part hereof,

Now, after due deliberation,

It is ordered, 1. That the Commission finds that the increase in rates provided for by said Farmers' and Merchants' Telephone Company should not be permitted to go into effect, and that the said new schedule of rates as filed by the Farmers' and Merchants' Telephone Company be cancelled and withdrawn.

Ordered, 2. That the Farmers' and Merchants' Telephone Company be granted permission to file a new rate schedule effective January 1, 1919, covering increases in the following classes of service:

	<i>Per Month</i>	
Business, direct line, from	\$2.00	to \$2.25
Residence, direct line, from.....	1.00	to \$1.05
Class A, rural switching, from.....	$37\frac{1}{2}$	to 40
Class B, rural switching, from.....	1.00	to 1.05

* \$53.47 $\frac{1}{2}$ [†]

All other rates to remain as submitted in the proposed schedule known as P. S. C. Mo. No. 3, and that schedule containing the above rates be filed with this Commission on or before January 1, 1919.

Ordered, 3. That any and all increases herein authorized or permitted shall remain in effect for a period of one year only from and after January 1, 1919, the effective date of this order, at the end of which yearly period such increases in rates shall then be reduced by said company without further order of the Commission, to the rates now on file or charged by it; *provided*, that the Commission may hereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 4. That the said company be required to keep a full and accurate account of the revenues and expenses of its exchange and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject matter of this cause to continue, change or modify the rates of said company upon the expiration of said period of one year after the effective date of this order, or at any other time, upon the evidence and facts now before the Commission, together with such other evidence as the company or any other interested party may offer.

Ordered, 5. That this order shall take effect on this date and that the secretary of the Commission forthwith serve upon the parties hereto and upon the Hon. A. S. Burleson, Postmaster General, a certified copy of this order, and that the company shall on or before December 26, 1918, notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law whether the terms of this order are accepted and will be obeyed.

December 18, 1918.

In re APPLICATION OF CAMERON TELEPHONE COMPANY
FOR AN ORDER AUTHORIZING THE ISSUE OF ADDITIONAL
COMMON STOCK.

Case No. 1783.

In re APPLICATION OF CLINTON COUNTY TELEPHONE COM-
PANY FOR AN ORDER AUTHORIZING SALE OF PART OF ITS
SYSTEM AND OF CAMERON TELEPHONE COMPANY FOR AN
ORDER AUTHORIZING PURCHASE OF SAME, AND FOR ORDERS
AUTHORIZING INCREASE IN RATES.

Case No. 1202.

Decided December 20, 1918.

**Sale of Exchange to Competitor Authorized — Issue of Additional
Capital Stock by Domestic Corporation Authorized — Increase in
Rates Authorized — 13 Per Cent. Fixed for Reserve for
Depreciation and Return — Rural Classification Con-
sidered Discriminatory — Capitalization of Inter-
est Accrued During Construction Authorized.**

The Cameron company sought authority to purchase the exchange of the Clinton company in Cameron and to consolidate the two exchanges, also to issue additional common stock and to increase rates by from 25 per cent. to 50 per cent. The consolidation has already taken place, and the Commission fixed the cost new less depreciation value of the consolidated plant,— which serves a total of 1051 subscribers exclusive of switched or service subscribers, 719 subscribers being in Cameron, a town of 3000,— at \$79,034 or \$62.76 per subscriber's line, which was considered a very conservative value for a central energy plant of this character. Present rates yield a net revenue, applicable to reserve for depreciation and return, of \$5,674.50, or 7 per cent.

Held: That the consolidation of the two exchanges as asked should be approved;

That as the outstanding stock was \$35,000 and the increase asked was \$40,000, which was well within the present value of the plant, the increase requested should be authorized, and the stock should be sold at par and the proceeds expended to take up notes and accounts, with accrued interest, in the sum of \$37,645.84, which amount had been used in rebuilding and enlarging the plant;

That the payment of \$900 accrued interest out of the proceeds of the sale of stock was approved on the theory that it represented interest accrued during construction and, therefore, might be capitalized;

That as the proposed increase in rates would give a net revenue of \$10,359.76, or 13 per cent. for reserve for depreciation and rate of return combined, which rate was not unreasonable or excessive, the proposed rates should be authorized;

That as to applicant's proposed rate for rural or farm lines, Class A service, providing that, if the subscriber furnished and maintained the instrument, wire, poles and other necessary equipment with 5 or more on line the rate should be \$7.80 per annum, the minimum number, 5, should be eliminated;

That as to applicant's proposed rate for rural or farm lines, Class B service, providing that, if the subscriber furnished and maintained the instrument, wire, poles and other necessary equipment with less than 5 on line the rate should be \$10.80 per annum, the entire item for Class B service should be eliminated, since it was a discriminatory rate, because under Class A, with 5 subscribers on the line, less revenue would be received than from 4 subscribers on the line under Class B.

REPORT.

On March 22, 1917, the Cameron Telephone Company filed its petition showing that it is a corporation organized and existing under the laws of the State of Missouri; that its principal office and place of business is at Cameron, Missouri; that it was conducting a general telephone business at that place; that its capital stock is \$35,000, divided into 350 shares of the par value of \$100 each, all of which had been issued and sold; that it desired to purchase the property of the Clinton County Telephone Company located in and around the city of Cameron, Missouri, at an agreed price of \$4,500 in cash; that the Clinton County Telephone Company was operating an exchange in and around Cameron, and that the Cameron Telephone Company desired permission to consolidate the two exchanges, and that they desired to increase the rates as charged for service.

The board of directors of the Clinton County Telephone Company by a resolution of its members, duly adopted, agreed to sell that part of its system known as the Cameron exchange for the sum named, and the board of directors of the Cameron Telephone Company agreed to purchase the same. The Cameron Telephone Company also filed a petition, signed by 201 parties representing 299 subscribers,

C. L. 86]

asking that the exchanges be consolidated and that a new central energy system be installed, and that the rates be raised to a price not to exceed,

Business telephone, per month.....	\$2 50
Residence telephone, per month.....	1 50

provided that all subscribers be given free connection with both exchanges and country line service.

The rates now charged by the Cameron Telephone Company are as follows:

	<i>Per Month</i>	<i>Per Year</i>
Business, special line, common return.....	\$2 00	\$24 00
Business, extension sets, same building.....	50	6 00
Residence, special line, common return.....	1 00	12 00
Churches, schools and lodges, special lines.....	1 00	12 00
Residence, extension sets, same house.....	50	6 00
Message rate service: pay station at union station....	5c per message	
Additional charge for desk set equipment, residence..	25	3 00

Additional charge is made on air line distance of subscribers' stations beyond initial rate area as follows:

One-quarter mile, 25 cents per month; $\frac{1}{2}$ mile, 50 cents per month; $\frac{3}{4}$ mile, 75 cents per month; 1 mile, \$1.00 per month.

Rural or farm lines on which, beyond the initial area:

(a) Subscribers furnish and maintain all equipment; \$6.00 per year in advance, party lines only.

(b) Telephone company furnishes and maintains all equipment: two-party line \$15.14; three-party line \$14.75; four-party line \$14.37; five-party line \$13.98; six-party line \$13.60; seven-party line \$13.22; eight-party line \$12.83; nine-party line \$12.45; ten-party line or more \$12.07 per year in advance.

(c) Subscribers furnish and maintain line and telephone company the station equipment: two-party line \$10.16; three-party line \$9.79; four-party line \$9.41; five-party line \$9.03; six-party line \$8.64; seven-party line \$8.26; eight-party line \$7.87; nine-party line \$7.49; ten-party line \$7.10 per year in advance.

Charges are due and payable at the office of the telephone company on the fifteenth of each month for the calendar month, and if not paid by the fifth of the following month service is discontinued until charges are paid.

Extension bells, each, per year, in advance..... \$1 00

"Below we are giving some exceptions to our standard rates under arrangements made some years ago; have made no new contracts for over five years, and will make no more in the future.

Ten years ago we required a bonus for building a farmer line, and we made those paying the bonus a rate of \$8.07 per year, payable in advance.

A company of farmers known as the Mabel Telephone Company wishing to be on our exchange, we made them a rate of \$4.22 per year, payable in advance, for switching them to our subscribers, they owning and maintaining their own lines and telephones."

They also filed a schedule of rates revised as follows:

Class of Service	Rate	
	Per Month	Per Year
<i>Business Stations:</i>		
Direct (single) line.....	\$2 65	\$31 80
Four-party line.....	2 15	25 80
Extension sets.....	1 15	13 80
<i>Residence Stations:</i>		
Direct (single) line.....	1 65	19 80
Four-party line.....	1 40	16 80
Extension sets	65	7 80
<i>Additional Charge for Desk Set Equipment:</i>		
Business		
Residence	25	3 00
Extension bells, large.....	25	3 00
Extension bells, regular.....	15	1 80
<i>Mileage Charge Beyond Initial Rate Area:</i>		
For each $\frac{1}{4}$ mile or fraction thereof.....	25	3 00
<i>Moving Charge:</i>		
Instrument moved within room or style of instrument changed..		50
Instrument moved within building.....		75
Instrument moved outside of building.....		1 00

RATES FOR RURAL OR FARM LINE SERVICE.

	Per Year
A. If subscriber furnishes and maintains the instrument, wire, poles and other necessary equipment, with five or more on line..	\$7 80
B. If subscriber furnishes and maintains the instrument, wire, poles and other necessary equipment, with less than five on line..	10 80
C. If the telephone company furnishes and maintains the instrument, wire, poles and other necessary equipment.....	16 80
D. If the subscriber furnishes and maintains the poles, wire and other necessary equipment, and the telephone company furnishes and maintains the instrument.....	15 00

C. L. 86]

Charge for installation of new subscriber, rural, \$1.00; town, \$1.00.

Rentals are due and payable: town, monthly on the fifteenth of the current calendar month; rural, six months in advance.

Discount of 15 cents per month allowed for payment by the fifteenth day of current month.

On April 13, 1917, a protest against the proposed consolidation of the plant and increase in the rates for service was filed by Elton T. Harris, city attorney.

The Commission on April 16, 1917, at 2 P. M., at its office in Jefferson City, heard the case and testimony, and considered the same with Case No. 1201, same being *In the Matter of the Application of the Clinton County Telephone Company for an Order Authorizing the Sale of Part of its Plant or System, and of the Cameron Telephone Company for an Order Authorizing the Purchase of the Same and for Other Orders*. No protestants appeared in person or by counsel, but the protest against the increase as filed by attorney E. T. Harris was received.

The Commission, in its order under Case No. 1201 on April 16, 1917, authorized the sale and purchase of the Cameron exchange belonging to the Clinton County Telephone Company, and thus closed Case No. 1201.

A public hearing was held by one of the Commissioners at Cameron, Missouri, on October 25, 1918, at 9 A. M., and Case No. 1783, the *Application of the Cameron Telephone Company for an Order Authorizing an Issue of Additional Common Stock* to the amount of \$40,000 being heard at the same time and in connection with the case at issue, No. 1202. The applicant company was represented by counsel, and the protesting subscribers by *Elton T. Harris*, city attorney, and the following evidence was introduced.

The Cameron Telephone Company purchased the property above described. They purchased a lot and erected a fire proof building, the cost of the lot and building being \$13,069. They installed a central energy switchboard with necessary power plant, protective devices, racks and other equipment used in an up-to-date central office and at an outlay of about \$10,459. They installed an underground

cable system and erected additional aerial cable at a cost of \$3,000, and generally repaired and rebuilt the exchange proper. They also purchased new, modern, central energy, subscribers' station equipment at a cost of \$5,075, and now claim to have a modern, well constructed telephone plant, sufficient to take care of, in a first class, acceptable manner, the telephone needs and requirements of the city of Cameron and that vicinity.

They also consolidated the two exchanges, thus furnishing the subscribers connected on the two separate exchanges with consolidated exchange service on the newly installed switchboard.

An inventory and appraisal of the property was made by W. C. Polk, a qualified electrical engineer of many years experience, as of July 1, 1916. He placed a value of \$61,940 cost new, and \$44,883 cost new less depreciation, this to include an item of \$1,337 for stores and supplies on hand at that time. No appraisal has been made by the engineer of this Commission, but a careful comparison of the unit of cost as used by engineer Polk with cost units as used by the engineer of the Commission in appraisals of other properties in the vicinity of Cameron shows that a very conservative figure was used, and the prices not exorbitant, they being entirely pre-war prices.

Taking the figures as submitted, with the additions covering the necessary work incident to consolidating the exchanges, purchase of new apparatus, rebuilding the plant, installing the central energy system, and eliminating that part of the purchased property from the Clinton County Telephone Company not used and useful in the consolidated plant, and cutting out the item of \$13,069 for land and building, we have an item of \$65,965 as being the cost new less depreciation for the entire property of the Cameron Telephone Company as of October 1, 1918, and as of that date they were furnishing service to 1,051 subscribers on property owned by the company, and exclusive of switching or service subscribers, making a value of \$62.76 per subscribers' line, which is a very conservative value for

C. L. 86]

central energy plant of this character. We will, therefore, tentatively accept \$79,034 as the value of the property for rate-making purposes in determining the effect of the proposed rates.

The telephone company's Exhibit No. 3, as filed, shows that for a period ending September 1, 1918, the previous nine months in this year, the total revenue was \$13,518.91, and the total expenses for the same period \$9,263.03, leaving a net revenue for the above period of \$4,255.88. We may reasonably assume that the remaining three months in the year 1918 will produce expenses in the same proportion, and revenue in the same proportion, and that, therefore, the entire revenue for the year 1918 would be \$18,025.21, and total expenses for the same period \$12,350.71, leaving \$5,674.50, or 7 per cent. rate of return for depreciation reserve and interest on the investment. This rate of return is unprofitable and unreasonably low. The increase in rates if allowed as asked for in its entirety would be \$4,685.10 per annum. This added to the \$5,674.66 would make a total of \$10,359.76, or a rate of 13 per cent. for depreciation and rate of return combined, and which rate is not unreasonable and not excessive and will therefore be allowed with the following exception: under rates for rural or farm lines, Class A service, if the subscriber furnishes and maintains the instrument, wire, poles and other necessary equipment, with 5 or more on line, \$7.80 per annum, the minimum number, 5, should be eliminated. Class B, if subscriber furnishes and maintains the instrument, wire, poles, and other necessary equipment, with less than 5 on line, \$10.80 per annum. This entire item for Class B should be eliminated, for the reason that it is a discriminatory rate, as under Class A with 5 subscribers on the line less revenue would be received than from 4 subscribers on the line under Class B. Classes C and D should be designated as Classes B and C respectively.

The schedule of rates asked show them to be well balanced and not above those in force for exchanges of like size and equipment. The evidence and exhibits show the plant to

be operated and maintained in an efficient and economical manner. A single, up-to-date, modern and well maintained exchange in a community is preferable in many respects to two or more exchanges and a divided list of subscribers. When the class of service, rates charged and the conduct of the business with the public is under the jurisdiction and control of a state regulatory body, the operation of two or more exchanges in a city the size of Cameron entails unnecessary expense.

Cameron has a population of about 3,000. The United States census for 1910 shows 2,980. The Cameron Telephone Company is serving 719 subscribers within the city limits, or a 24 per cent. development, which is abnormally high for a city of that size. We therefore assume that the public is well provided with telephone service, all its needs or requirements being fully and acceptably met, and we therefore approve of the consolidation of the two exchanges as asked.

The evidence and exhibits show that on September 1, 1918, the Cameron Telephone Company had outstanding common stock to the amount of \$35,000, covering the issue as regularly authorized by the Secretary of State on January 7, 1909; that at a meeting of the stockholders of the Cameron Telephone Company held on January 2, 1918, they voted unanimously to increase the same to \$75,000, an additional \$40,000 to the amount outstanding, there to be 400 shares of the par value of \$100 each. A certificate of such increase of capital stock from \$35,000 to \$75,000 is acknowledged as filed and of record by the Secretary of State, dated September 11, 1918, and is also submitted.

They also show a schedule of bills payable covering notes given for cash in the amount of \$36,227.22, some bearing 6 and others 7 per cent. interest, accrued interest due about \$900, and for equipment and supplies \$518.62, a total of \$37,645.84, full amount of which has been used in rebuilding and enlarging the plant, the purchase of new, modern equipment and office building, and not for the repair and maintenance of the plant. The \$75,000 in the

C. L. 86]

aggregate asked to be allowed, viz., \$35,000 now issued and \$40,000 to be issued, all of common stock, is well within the \$79,034.99, the present value of the plant. The request for authority to issue the \$40,000 common stock will therefore be approved, to be sold at par and the money realized from the sale of said stock to be expended as follows:

For repaying borrowed money as evidenced by notes.....	\$36,227 20
Open accounts due business firms for equipment and supplies	518 62
Accrued interest on promissory notes amounting to, and for other necessary extensions.....	900 00

The payment of accrued interest in the sum of \$900 as above, out of the proceeds of the sale of stock, is approved on the theory that it represents interest accrued during construction, otherwise such interest may not be capitalized.

An order will be entered in conformity herewith.

ORDER.

This cause being at issue upon application to increase rates, issue additional stock, and purchase the exchange of the Clinton County Telephone Company, and having been duly heard and submitted by the parties, and full investigation of the matters and things having been had, and the Commission having on the date hereof made and filed its report herein containing its findings of fact and conclusions thereon, which said report is referred to and made a part hereof,

Now, after due deliberation,

It is ordered, 1. That the Commission hereby grants permission for the consolidation of the exchange formerly owned by the Clinton County Telephone Company in Cameron, Missouri, and the exchange of the Cameron Telephone Company in Cameron, Missouri, as petitioned for in Case No. 1202.

Ordered, 2. That the Commission finds that the rates for rural or farm line service known as Class A, wherein the company prescribes a rate for 5 or more on line, and Class B, where the rate applies to less than 5 subscribers

on a line, are unreasonable and unjust, and that such schedule of rates containing this provision be cancelled and withdrawn.

Ordered, 3. That the Cameron Telephone Company be granted permission to file a new rate schedule, effective January 1, 1919, containing the following rates:

<i>Class of Service</i>	<i>Rate Per Month</i>	<i>Per Year</i>
<i>Business Stations:</i>		
Direct (single) line	\$2 65	\$31 80
Four-party line	2 15	25 80
Extension sets	1 15	13 80
<i>Residence Stations:</i>		
Direct (single) line.....	1 65	19 80
Four-party line	1 40	16 80
Extension sets	65	7 80
<i>Additional Charge For Desk Set Equipment:</i>		
Business		
Residence	25	3 00
Extension bells, large.....	25	3 00
Extension bells, regular.....	15	1 80
<i>Mileage Charge Beyond Initial Rate Area:</i>		
For each $\frac{1}{4}$ mile or fraction thereof.....	25	3 00
<i>Moving Charge:</i>		
Instrument moved within room or style of instrument changed		50
Instrument moved within building.....		75
Instrument moved outside of building.....		1 00
<i>Rates for Rural or Farm Line Service:</i>		<i>Per Year</i>
A. If subscriber furnishes and maintains the instrument, wire, poles and other necessary equipment.....		\$7 80
B. If the telephone company furnishes and maintains the instrument, wire, poles, and other necessary equipment...		16 80
C. If the subscriber furnishes and maintains the poles, wire and other necessary equipment, and the telephone company furnishes and maintains the instrument.....		15 00
Charge for installation of new subscriber, rural, \$1.00; town, \$1.00.		
Rentals are due and payable: town, monthly on the fifteenth of the current calendar month; rural, six months in advance.		
Discount of 15 cents per month allowed for payment by the fifteenth day of current month.		

C. L. 86]

That said schedule containing the above rates be filed with this Commission on or before January 1, 1919.

Ordered, 4. That the Cameron Telephone Company be, and the same is hereby, authorized to issue its additional capital stock to the amount of \$40,000, par value; that all the stock hereby authorized be common stock of said company, and that it shall be sold at not less than par, and that the proceeds thereof shall be used to pay the following amounts:

Bills payable covering notes given for cash in the amount of	\$36,227 22
Some bearing 6 and others 7 per cent. interest.	
Accrued interest due, about.....	900 00
Open account for equipment and supplies amounting to about	518 62

and other items, all of the above expenses incurred in the rebuilding and additions to the telephone plant in and around Cameron, and not to be used in payment for expenses incurred in the regular maintenance and up-keep of the plant, or for any other purposes.

Ordered, 5. That said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale or disposal of the additional stock hereby authorized to be issued, and at the end of each six months the company shall make a verified report to the Commission stating the sale or sales of said stock during the preceding six months, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys; and said accounts, vouchers and records shall be open to audit and may be audited from time to time by accountants and examiners designated for such purpose by the Commission.

Ordered, 6. That the authority hereby given to issue such additional stock shall apply only to stock issued by said company on or before the thirtieth day of June, 1919.

Ordered, 7. That any and all increases herein granted or permitted shall remain in effect for a period of one year only from and after January 1, 1919, at the end of which yearly period such increases in rates shall then be reduced by said company without further order of the

Commission, to the rates now on file or charged by it; *provided*, that the Commission may hereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 8. That the said company be required to keep a full and accurate account of the revenues and expenses of its exchange, and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject matter of this cause to continue, change or modify the rates of said company upon the expiration of said period of one year after the date set forth in this order, or at any other time, upon the evidence and facts now before the Commission, together with such other evidence as the company or any other interested party may offer.

Ordered, 9. That this order shall take effect on December 31, 1918, and that the Secretary of the Commission forthwith serve upon the parties hereto and upon the Hon. A. S. Burleson, Postmaster General, a certified copy of this order, and that the company shall on or before December 26, 1918, notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

December 20, 1918.

NEBRASKA.

State Railway Commission.

In re APPLICATION OF SUTHERLAND-FAIRVIEW TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3244.

Decided October 25, 1918.

**Increase in Rates with Refund for Advances of Partial Cost of
Extensions, Authorized.**

SUPPLEMENTAL FINDING.

On April 8, 1918, the Commission authorized* the Sutherland-Fairview Telephone Company to publish and collect \$15.00 per annum for telephone service when paid annually in advance and \$18.00 per annum when not paid annually in advance.

Applicant had filed a petition from a number of its subscribers agreeing to a rate of \$18.00 per annum with provision attached that certain refunds were to be made to subscribers at the rate of 25 cents per month until all refunds had been paid. This provision the Commission denied.

It now appears that the refunds which both subscribers and company were willing to make referred to advances of partial costs of extensions. To these refunds the Commission has no objection.

On the basis of earnings presented in the original order,* and with full knowledge of increases in costs of labor and material since that time, the Commission considers the application to make the rate \$18.00 per annum for all subscribers not out of line inasmuch as this company is wholly rural, pays switching charges for all sub-

* See Commission Leaflet No. 78, p. 1531.

scribers and maintains 50 miles of pole line to serve 43 subscribers.

It is the opinion of the Commission that the application to publish rates of \$18.00 per annum for all subscribers should be approved.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Sutherland-Fairview Telephone Company be, and it hereby is, authorized to publish and collect for telephone service on its system \$1.50 per month payable quarterly in advance, same to be effective at the next payment date for each subscriber.

Made and entered at Lincoln, Nebraska, this twenty-fifth day of October, 1918.

RATES AT ITS EXCHANGES AT BELDEN, ROSALIE, WALT
AUTHORITY TO PUBLISH CERTAIN SPECIAL SERVICE
RATES AT ITS EXCHANGES AT BELDEN, ROSALIE, WALT
HILL AND WINNEBAGO.

Application No. 3726.

Decided October 25, 1918.

**Business and Residence Vacation Rates Authorized.—Joint User
Business Rate Established—Actual Cost of Reinstalling Telephone
Removed or Disconnected Through Subscriber's Carelessness
Ordered Paid by Subscriber.**

FINDINGS.

The Matheny Telephone Company has asked authority to publish on its exchanges at Belden, Rosalie, Walt Hill and Winnebago, Nebraska, additional rates and service as follows:

Vacation rates, residence, per month, in advance.....	\$0 75
Vacation rates, business, per month, in advance.....	1 00
Two or more persons, companies, or corporations using same telephone, per month, each, in advance.....	1 50
Actual cost of reinstallations at farm stations where, through fault of the subscriber, it is necessary to remove the telephone or disconnect.	

C. L. 86]

The vacation rates asked for are in line with the Commission's previous rulings that such rates should be approximately 50 per cent. of regular rates. The rates proposed for two on one business 'phone are also reasonable, provided both parties using said 'phone are listed in the directory of the company.

Applicant complains that carelessness or indifference of farm line subscribers makes it necessary frequently to disconnect for non-payment of rental, and that payment is frequently made when a company employee gets ready to make the disconnection. This puts the company to a considerable expense without reason to make the collection. The Commission considers it reasonable that the subscriber thus careless or indifferent bear the expense of reinstallation, and will so order.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Matheny Telephone Company be, and it hereby is, authorized to publish on its exchanges as listed above rates as follows:

Vacation rates, residence, per month, in advance.....	\$0 75
Vacation rates, business, per month, in advance.....	1 00
Two or more persons, companies, or corporations using same business telephone, per month, each, in advance.....	1 50

It is further ordered, That applicant company charge the actual expense of reinstallation on farm lines where disconnection or removal has been made necessary because of failure of subscriber to observe the rules of the company. These rates shall be effective from and after November 1, 1918.

Made and entered at Lincoln, Nebraska, this twenty-fifth day of October, 1918.

In re APPLICATION OF LINCOLN TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO INCREASE RATES ON CERTAIN CLASSES OF SERVICE ON A PORTION OF ITS EXCHANGES.

Application No. 3701.

Decided October 29, 1918.

Gross and Net Rates Authorized.

SUPPLEMENTAL ORDER.

On further consideration* of the matters involved in this application, the Commission deems it advisable to reduce the cost of collection and the total of bad accounts by authorizing applicant herein to publish on all its exchanges within the State of Nebraska gross and net rates.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Lincoln Telephone and Telegraph Company be, and it hereby is, authorized, effective November 1, 1918, to publish gross rates 25 cents higher than the rates lawfully on file with the Commission and authorized in the original order herein on those exchanges which have not heretofore been authorized to publish gross and net rates; bills to be rendered at the gross rate and to contain notation of a discount of 25 cents per month on each class of city service if paid on or before the tenth of the month in which the service is rendered; bills to be rendered for farm line service where paid quarterly in advance at an advance of 75 cents per quarter above the rates lawfully on file with this Commission, with provision on the bill for discount of 75 cents per quarter if paid during the first month of the quarter in which the service is rendered.*

It is further ordered, That this supplemental order shall be subject to all the conditions set forth in the original order herein.*

Made and entered at Lincoln, Nebraska, this twenty-ninth day of October, 1918.

* See Commission Leaflet No. 84, p. 211.

C. L. 86]

**In re APPLICATION OF PALISADE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.**

Application No. 3705.

Decided October 29, 1918.

**Increase in Rates Authorized — 7 Per Cent. Fixed as Rate of Return — 9
Per Cent. Fixed for Maintenance and Reserve for Depreciation
— 16 Per Cent. Allowance for Maintenance Disapproved.**

Applicant sought authority to increase its business, residence and rural rates, and also its rate for switching independent lines. The company's operating expenses, plus the allowance for maintenance and a small amount for new construction, for sixteen months ending October 1, 1918, were \$4,130.80. The total revenues were \$4,357, leaving a net profit of \$226.20. The present rates were authorized in April, 1917, and were based on a valuation of \$4,000. Since that time increased expenses amounted to \$640 per year, exclusive of the increased cost of materials. Proposed rates would yield an increase in gross earnings of approximately \$1,000.

Held: That an increase in rates, as set forth by the Commission should be authorized, such rates yielding a maximum return of \$667 additional to the present revenues;

That not less than 9 per cent. of the value of the property should be set aside for maintenance and reserve for depreciation before any dividends were paid;

That 7 per cent. should be fixed for the rate of return;

That although applicant paid \$5,800 for the property, permission would not be granted to increase dividends on a value beyond that fixed in the order of March, 1917, unless the applicant made a showing to the Commission as to the proper value on which dividends should be paid;

That the past allowance by the applicant of 16 per cent. for maintenance, exclusive of the lineman's salary, was unreasonable, as being in excess of the allowance usually made, and no extra allowance would be made by the Commission for the increased cost of maintenance for the next year, but provision would only be made for increased cost of operation.

FINDINGS.

Applicant herein asks authority to increase telephone rates on its exchange at Palisade, Nebraska, to \$2.00 per month for business stations, \$1.50 per month for residence and company owned farm stations, and to 50 cents per month for switching independent lines.

The rates now charged are \$1.50 per month for business stations, \$1.00 per month for residence and farm stations, and 35 cents per station per switched line.

In support of this application applicant shows that in sixteen months ending October 1, 1918, the total expense for operating the company, plus maintenance, and a small amount of new construction, was \$4,130.80; total revenues, \$4,357; leaving a net profit of \$226.20.

The rates now being charged were authorized by the Commission after a hearing, order* having been issued in April, 1917. It was then found that the present rates under the conditions at the time of the hearing was held would provide earnings slightly less than 7 per cent. on the valuation of \$4,000, this being the amount paid for the property by the applicant. The amount of \$4,000 was taken as the proper basis for earning for the reason that no proper inventory had been made of the properties and no adequate history of the development of the property was obtainable.

Conditions since this hearing have changed. The company has been compelled to increase operators' wages \$240 a year, the manager \$300 a year for being superintendent and lineman, office rent \$48.00 per year, and incidental expenses in an amount which the Commission considers not excessive at 20 per cent. increase. Here are increased expenses amounting to \$640 per year, exclusive of increased cost of materials for maintenance and repairs.

The rates proposed would yield an increase in gross earnings of almost \$1,000 per annum.

The showing for sixteen months made by applicant indicates that an excessive amount was spent for maintenance materials and maintenance in that approximately 16 per cent. on the minimum value of the plant was used for maintenance exclusive of lineman's salary. This is considerably in excess of normal allowance and must be taken into account when considering what the present rates would do. It appears fair to assume that the cost of this

* See Commission Leaflet No. 64, p. 1024.

C. L. 86]

abnormal maintenance will be sufficient even at increased prices to do a normal amount of maintenance. Hence, no extra allowance need be considered for the increased cost of maintenance for the next year and provision only be made for increased cost of operation.

An increase of 25 cents per month on all classes of 'phones owned by applicant company, an increase of 10 cents per month on 13 'phones where the company owns only the instruments, and an increase of 10 cents per month on the independent 'phones of the independent companies switched would produce a maximum return to the company of \$667 additional to the present revenues. This the Commission considers adequate at the present time to take care of the increase in the cost of operation, increase in prices of maintenance materials and maintenance, labor, and proper dividends on the amount heretofore found subject to the payment of dividends, namely \$4,000. Applicant paid \$5,800 for the property, but until applicant makes a showing to the Commission that this is a proper value on which dividends should be paid, permission will not be granted to increase dividends on a value beyond that fixed in the order* dated March 5, 1917.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Palisade Telephone Company be, and it hereby is, authorized to publish and collect from and after December 1, 1918, the following rates and charges for telephone service connected to its exchange:

* See Commission Leaflet No. 64, p. 1024.

	<i>Per Month in Advance</i>
Business stations, where subscribers own instruments.....	\$1 75
Business stations, where company owns instruments.....	2 00
Residence stations, where subscribers own instruments.....	1 25
Residence stations, where company owns instruments.....	1 50
Farm subscribers, where subscribers own instruments.....	1 25
Farm subscribers, where company owns instruments.....	1 50
For switching farm lines, where company owns instruments, payable quarterly in advance.....	70
For switching, where company owns none of the property, pay- able quarterly in advance.....	45

It is further ordered, That applicant shall pay from the gross receipts collected under these rates all proper operating expenses, general expenses, insurance, taxes, losses and damages, and dividends of not to exceed 7 per cent. on a valuation of \$4,000, and shall provide a fund of not less than 9 per cent. of the value of the property for maintenance and depreciation reserve. This amount for depreciation reserve and maintenance shall be set aside before dividends are paid. If any surplus still remains, it shall be devoted to taking care of deficits in any of the items mentioned above, or shall be carried in surplus until the Commission shall consider the disposition thereof.

Made and entered at Lincoln, Nebraska, this twenty-ninth day of October, 1918.

In re APPLICATION OF STAPLEHURST TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Application No. 3594.

Decided November 1, 1918.

Increase in Rates Authorized — 10 Per Cent. of Book Value Fixed for
Maintenance and Reserve for Depreciation — 7 Per Cent. Estimated
for Dividend Rate.— Surplus Ordered Held as Trust Fund.

FINDINGS.

Applicant operates a telephone exchange at Staplehurst, Nebraska, with 297 subscribers, 275 of whom are farm

C. L. 86]

and residence subscribers, who pay \$12.00 per year, and 22 who are business subscribers, paying \$18.00 per year. The company desires authority to increase the rates for all classes of service 25 cents per month, or \$3.00 per year. The lines of the company are all metallic.

This company was organized in 1904, very largely as a community enterprise. It began to furnish service in the spring of 1905. It sold stock in small amounts to the people of the community from time to time in order to defray the cost of building the system. The stock outstanding on January 1, 1918, was \$8,650. In 1911, however, the company had outstanding \$9,350 in capital stock. From time to time since then the company has purchased the shares of 14 stockholders, paying for the same from its treasury. No dividends have been paid by the company for the years 1904, 1905, 1906, 1907, 1908, 1909 or 1910. Dividends running from 6 per cent. to 10 per cent. have been paid on the stock outstanding each year since that time, with the exception of 1917 when no dividends were paid. On January 1, 1918, there was a surplus in cash in the treasury of the company amounting to \$3,460. If to this is added the \$700 which was paid by the company for the shares of stock repurchased from certain stockholders, the company had a surplus of \$4,160 on that date. Computing dividends from the date of organization of the company down to January 1, 1918, on the basis of 7 per cent. of the capital stock outstanding at the end of each fiscal year, and subtracting from the amount thus obtained the amount actually paid in dividends, we have the sum of \$3,179.50 due to the stockholders of the company from this source. During the past summer the company has been engaged in the erection of a new central office building, which will cost \$5,000. They have applied upon the cost of this building the surplus of \$3,460 and expect to have to borrow \$1,540. If from the \$1,540 of borrowed money we deduct the surplus remaining after the deduction of the unpaid dividends, we have a net capital indebtedness of \$559.50. Adding to the outstanding capital of \$8,650 the

\$559.50 of net borrowed capital and the \$3,179.50 of unpaid dividends, we have a figure of \$12,389, which represents approximately the sacrifice of the stockholders in the property. The property investment as of January 1, 1918, was \$16,400. This amount, of course, will be increased by the cost of the new building less the salvage value of the old building replaced. The present, or depreciated, value of the property will probably be in the neighborhood of \$12,000 or \$14,000.

Like all other utilities, this company is met with a constantly increasing scale of prices, both for labor and material. It has already increased the salary of its line-man, who in the past has been receiving \$120 per month and house rent. Out of the amount thus paid him, he has paid the salaries of two operators at \$25.00 per month each. It has been necessary to increase his compensation to \$145 per month in addition to the house rent. A representative revenue and expense statement for the company, covering a period of a year, is as follows:

APPLICATION OF STAPLEHURST TELEPHONE Co. 685

C. L. 86]

Earnings.

Farm and residence, 275 at \$12.00.....	\$3,300 00
Business, 22 at \$18.00.....	396 00
Toll, net	650 70
TOTAL	\$4,346 70

Expenses.

Operators	\$1,080 00	
Light, heat, etc.....	93 06	
Incidental	197 76	
		\$1,370 82
Secretary	\$120 00	
Collections	60 00	
Insurance	25 90	
Taxes	130 87	
		336 77
Maintenance and depreciation, 10 per cent. on \$16,400		1,640 00
		3,347 59
		\$999 11
Two per cent. for uncollectible accounts.....		88 52
		\$910 59
Dividends		867 23
		\$43 36

In connection with the above statement it is necessary to consider that the plant is being operated at a minimum of expense. The only salary paid in addition to that paid to the lineman and manager is \$10.00 per month to the secretary, who, together with the president, constitute the executive force. The president and directors of the company receive no compensation, nor have they since the organization of the company. The lines of the company are in poor condition, and according to the testimony of the lineman will all have to be replaced in the very near future. No extensive reconstruction has been done since the plant was first built. It is apparent from the foregoing that a proper reserve for depreciation has not been set

up by the company, notwithstanding that dividends have been inadequate. Large expenditures will be necessary to put the plant in condition to give proper service. Such expenditures must necessarily come from the revenue. Unless the rates are increased, it will be impossible to reconstruct the property and at the same time pay any adequate earning on the investment. It would appear, therefore, that the increase as asked for by the company is reasonable and should be allowed.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Staplehurst Telephone Company be, and the same hereby is, authorized to charge and collect the following schedule of rates for its exchange service at Staplehurst:

	<i>Per Year</i>
Business telephones	\$21 00
Residence telephones	15 00
Farm telephones	15 00

It is further ordered, That a sum equal to 10 per cent. of the book value of the physical property, exclusive of real estate, shall be set aside annually for the purpose of maintenance and depreciation, such sum to include that portion of the lineman's salary devoted to maintenance work. The sum thus set aside shall be used for the purpose stated, and none other.

It is further ordered, That any surplus remaining, after all operating expenses, allowance for maintenance and depreciation, and the dividend of 7 per cent. on the stockholder's investment, as herein set forth, shall have been paid, shall be held in the treasury of the company as a trust fund, subject to the further order of this Commission.

This order to be effective on and after December 1, 1918.

Made and entered at Lincoln, Nebraska, as of the first day of November, 1918.

C. L. 86]

In re APPLICATION OF THEDFORD TELEPHONE COMPANY FOR
AUTHORITY TO PUBLISH RATES.

Application No. 3712.

Decided November 5, 1918.

**Increase in Rates Authorized — Non-Subscriber Charge Approved —
Extra Charge for Delivery of Incoming Toll Messages from Switch-
boards to Subscribers' Stations Denied.**

FINDINGS.

Applicant herein asks authority to publish a rate of \$2.00 per month for business telephone, \$1.50 per month for residence and farm line service. It also asks authority to make a charge on non-subscribers and an "other line" charge on toll calls received at that point.

Applicant has at present 6 business subscribers and 40 other subscribers. It has been authorized by the Commission to sell stock to secure funds with which to improve and extend its plant. At the present time it has a gross revenue of \$72.00, exclusive of toll commissions and toll earnings, which will not be heavy. The Commission considers these rates the minimum rates on which this company can operate.

Following previous rulings where the Commission found a charge of 10 cents per call to non-subscribers using the local exchange not unreasonable, the Commission will authorize the collection of such charge.

Toll calls originating at outside points and terminating on the Thedford exchange, rates being quoted from such outside points to Thedford, are entitled to be delivered at the station of any subscriber without further charge and the application for authority to publish a rate of 15 cents for the delivering of toll calls from switchboard to the instrument of subscriber must be denied. It is contrary to all principles of telephone practice.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Thedford Telephone Company be,

and it hereby is, authorized to publish and collect the following schedule of rates on its exchange at Thedford, Nebraska:

Business stations, per month in advance.....	\$2 00
Residence and farm stations, per month in advance.....	1 50
Non-subscribers using local exchange, per call.....	10

Made and entered at Lincoln, Nebraska, the fifth day of November, 1918.

In re APPLICATION OF VALPARAISO TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES AND MAKE A CHARGE
FOR INSTALLATION AND MOVING TELEPHONES.

Application No. 3654.

Decided November 9, 1918.

Increase in Residence and Business Farm Line Rate Authorized — Installation and Moving Charge Not Passed Upon Due to Controversy with Postmaster General over said Charge — 6 Per Cent. Fixed as Rate of Return — 9 Per Cent. Fixed for Maintenance and Reserve for Depreciation — Surplus Ordered Held in Trust Fund.

FINDINGS.

Applicant herein has asked authority to increase rate for farm line service, metallic circuit, from \$1.25 per month to \$1.75 per month gross, with 25 cents discount if paid on or before the tenth of the month in which service is given, and to increase farm line business rate to \$2.00 per month net; also, to make a charge of \$2.50 for installation or moving 'phones.

Hearing on this application was held in the office of the Commission on November 8. Notices of this hearing were sent to various persons at Valparaiso but no appearances were entered. A petition had been filed by applicant signed by a large majority of the subscribers affected by the application agreeing to the increase, which fact may account for lack of appearances.

C. L. 86]

The company's financial statement was complicated by the fact that under contract it took care of the electric light business of Valparaiso, rented to that company space on many of its poles, maintained the lines and did the billing and collecting. Although the Commission in an order entered on Application No. 2207* directed the company to separate the accounts of the electric light company from the accounts of the telephone company, this separation was never properly made.

The company has outstanding capital stock amounting to \$28,600, which issues have been scrutinized by the Commission in former hearings and approved. It owes \$4,000 on which 7 per cent. interest is paid, and \$6,000 on which 8 per cent. interest is paid. The manager testified that all this borrowed money is represented in betterments and additions to the plant.

U. C. Powell, chief accountant for the Commission, read into the record the corrected statement of earnings and disbursements with the electric business eliminated and credit given to the telephone company for the net earnings to that company from handling the electric light business. This corrected statement reads as follows:

* See Commission Leaflet No. 46, p. 1276.

Telephone Earnings for 1917:

Subscribers' service	\$6,739 00	
Toll commissions	455 49	
Miscellaneous earnings	789 05	
	<hr/>	
TOTAL		\$7,983 54

Operating Expenses:

Maintenance	\$2,109 46	
Operation	1,622 82	
General	2,904 83	
	<hr/>	
TOTAL		\$6,637 11

Net Income		\$1,346 43
Interest paid	\$760 00	
Taxes	178 33	
Dividends	None	
	<hr/>	
TOTAL		938 33

Net Surplus		\$408 10
-------------------	--	----------

The Commission finds that this net surplus is wholly insufficient to pay a proper return on the investors' sacrifice in the plant and to set aside a proper depreciation reserve fund.

The record shows that there are slightly fewer than 300 subscribers affected by the proposed application.

The increases asked for would provide a gross additional return between \$850 and \$900 per annum, which added to the net surplus fund above would be about \$1,300 out of which to pay dividends on the capital stock and to set aside depreciation reserve. The Commission is of the opinion that until such time as the depreciation reserve is properly cared for by funds set aside, the company should be restricted to a dividend rate of not more than 6 per cent. on the capital stock outstanding. The maintenance and depreciation reserve together should be set aside by applicant company in amount not less than 9 per cent. of the cost of the plant. Allowance for this joint

C. L. 86]

fund should be made before dividends are declared and paid.

Action on the proposed charge for installation or moving will not be taken until conclusion of the controversy with the Postmaster General over installation charges promulgated by him different from those held reasonable by this Commission.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Valparaiso Telephone Company be, and it hereby is, authorized to publish and collect, effective December 1, 1918, rates for farm line service as follows:

	<i>Gross</i>	<i>Net</i>
Farm line residence, per month.....	\$1.75	\$1 50
Farm line business, per month.....	2 25	2 00

It is further ordered, That applicant shall first pay from its gross earnings all proper operating and general expenses; provide a fund of 9 per cent. of the cost value of the plant out of which maintenance charges shall be paid and a depreciation reserve set aside; pay all insurance, taxes, losses and damages; out of the remainder to declare annual dividends not to exceed 6 per cent. until further order of the Commission after proof is presented that depreciation reserve is properly represented in the accounts of the company; any surplus then remaining shall be used to effect any deficits in the accounts set forth above or to remain in the surplus account of the company until further order of the Commission.

Made and entered at Lincoln, Nebraska, this ninth day of November, 1918.

In re APPLICATION OF GRANT TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Application No. 3504.

Decided November 23, 1918.

**Increase in Rates Authorized — Dividends Limited to 8 Per Cent.—
Surplus Ordered Carried to Reserve for Depreciation Account —
Surplus not to be Used for Extensions — Item for War Sav-
ings Stamps Considered an Investment — Necessity of Line-
man Considered.**

FINDINGS.

This is an application for authority to increase telephone rates 25 cents per month on all classes of service and to publish and collect after the effective date net charges of \$2.25 for business service and \$1.50 for residence service.

Applicant owns an exchange to which are connected 28 business subscribers and 38 residence subscribers. It also switches for 105 farm line stations independently owned where the lines are brought to the city limits and there connected to applicant's property. The exchange is far below the size at which unit costs of operation are at a minimum. Even an exchange such as this must have the attention of a lineman. If the lineman is collector and manager as well, and even if part of the operating is done by this individual, the maintenance cost as a result of that portion of his salary which must be charged up to repair of lines is a very considerable percentage of the book cost of the property.

The limited extent of applicant's property and the very limited maximum earnings, which are approximately \$800 per annum, have made it impossible to properly maintain the lines. The treasurer of applicant company gives a description of operating experiences in the past year or two which indicates that service is far below that which any company holding itself out to serve the public should render.

C. L. 86]

It has been impossible to keep a lineman. The company has also found that it had to increase the wages of the operator. It estimates that the requirement for the last half of 1918 for lineman and operator would be \$100 per month. Other estimates are given as to rent, light, heat, taxes, etc.

These estimates were evidently carelessly made as detailed reports of expenditures for the first ten and one-half months of 1918 do not indicate that the company has had to pay out as much as was anticipated.

Applicant's showing for the first ten and one-half months of 1918 is \$1,830 receipts and expenditures, totaling \$2,158.75. There was a net loss in that time of \$328 to the company.

Among the items of expense is one of \$173.04 for war savings stamps. This is not an operating expense but an investment. When due allowance is made for this error, the company's net loss is \$155 for ten and one-half months.

Under the proposed rates, applicant will earn from subscribers' service \$1,080 per year. It will earn \$630 as a maximum from switching service. While the evidence is not very definite, apparently the net toll earnings will not exceed \$100 per year. Thus, the gross earnings which the company can hope to have in the next year or so will not be much above \$1,800 per annum.

Applicant has \$2,500 of stock outstanding which was, according to testimony, paid for in cash. It is entitled to earn thereon not to exceed 8 per cent. per annum. It is difficult to say because of the conflicting figures given what the cost of operation should be, but it is apparent that the wages of operator, rent, fuel, light, taxes and insurance will range from \$550 to \$600 per year as a total. After dividends of \$200 are provided for, the company will have left approximately \$1,000 with which to pay interest charges on bills outstanding, pay the lineman's expenses, the cost of all materials for upkeep and materials for replacement, and to create a surplus in the bank with which to meet sudden emergencies of line or switchboard disaster which might occur.

In a company of this size, it is very difficult to estimate the proper proportion of lineman's wages which should be charged up against maintenance and replacement, but it is evidently a much higher percentage than would normally be figured.

The Commission is of the opinion, and finds, that the increase of 25 cents per month on business and residence telephones should be authorized, effective January 1, 1919. The company will, however, be limited to dividends of not to exceed 8 per cent. on the outstanding stock, and will be required to separate in its accounts the cost of labor and material which may be used in extensions of the plant from the cost of labor and material used in general upkeep of existing property and replacements of worn-out units. The company will also be required to carefully estimate the division of the time of the lineman between labor for upkeep and replacements, labor on new extensions, collections and managerial work, and switchboard tending, if any. It will be required to charge such proportions of the total wages of the lineman to these various items as experience warrants should be there charged.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That effective January 1, 1919, the Grant Telephone Company be, and it hereby is, authorized to charge the following schedule of rates:

Business station, per month net.....	\$2 25
Residence station, per month net.....	1 50
Switching service, per station, per quarter, payable quarterly or semi-annually in advance.....	1 50

It is further ordered, That applicant shall pay the cost of switchboard operators, cost of heat, light, fuel, switchboard power, supplies, insurance, taxes, charge off losses from bad accounts, and shall thereafter pay annual dividends of not exceeding 8 per cent. upon the outstanding stock.

C. L. 86]

It is further ordered, That the surplus thereafter remaining shall be used to pay that portion of the line-man's salary which represents the proportion of time he devotes to upkeep and maintenance of the system, and shall pay the cost of all material for repairs and replacements. Any surplus thereafter remaining shall be carried in an open account to depreciation reserve for purposes of paying for any unforeseen disasters. No part of said surplus shall be used to pay for new extensions.

Made and entered at Lincoln, Nebraska, this twenty-third day of November, 1918.

In re APPLICATION OF DuBOIS TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Application No. 3605.

Decided November 23, 1918.

**Increase in Rates Authorized — Book Value Adopted — Company
Ordered not to Pay Dividends for a Time in View of Excessive 12
Per Cent. Dividends Paid in Past at Expense of Maintenance
and Reserve for Depreciation Fund — Funds Thus Accumu-
lated to be Used for Repairs and Establishment of
Reserve for Depreciation — Dividends Limited to
8 Per Cent.— 10 Per Cent. Fixed for Mainte-
nance and Reserve for Depreciation.**

Applicant, which serves 270 subscribers of whom one-half are stockholders, sought authority to increase rates to \$1.25 per month. The company had paid 12 per cent. dividends since its organization in 1903, the rate being provided in the by-laws. The proposed rates would increase revenues about \$800 per annum, giving a total revenue, including toll and miscellaneous earnings, of \$4,550. The 1917 expenses were \$1,528, and the Commission estimated increases at \$500 per annum, exclusive of increases in costs of materials and line repair work.

Held: That for present purposes the figure of \$14,000 book value, as claimed by the company, would be used in estimating reserve for maintenance and depreciation requirements;

That it required no survey of the property to reach the conclusion that the company had not properly provided for maintenance, reserve for

depreciation and obsolescence, as one of the reasons for asking increased rates was to secure money with which to replace central office equipment;

That the dividend rate of 12 per cent. was excessive, and the company should be required to forego future dividends until such time as the unpaid dividends should equal the difference between the dividends actually paid and the amount they would have been at 8 per cent. per annum from the organization of the company, after which time the company should pay not to exceed 8 per cent. dividends annually;

That such accumulated fund should be used to pay for repairs to plant and equipment, and to accumulate a reserve for depreciation to care for emergencies and replacements;

That a sum equal to 10 per cent. of the book value of the property should be set aside annually, out of which should be paid the cost of materials and extra labor for repairs and replacements, and that part of the lineman's salary which represented the share of his total time devoted to line and switchboard maintenance and repair, the remainder of his time to be charged to general expense and operating in the proportion that he devoted time to those duties;

That to meet the conditions discussed the proposed increase in rates should be authorized.

FINDINGS.

Applicant herein asks for authority to increase telephone rates to \$1.25 per month, giving as a reason the increased price of materials and of labor.

The exchange operated by this company is in compact territory and serves approximately 270 subscribers, of whom one-half are stockholders. Much of the general work of the company has apparently been done gratis, as the record discloses general expenses per annum of \$230 in recent years and is silent as to former years. In 1916 and 1917 operators were paid \$600 per annum and apparently, from detailed statement for three years made by applicant, the cost for lineman and extra help was \$400 to \$500 per year only. It has spent on the average during the past three years \$700 for materials for repairs and replacements. Some of this material may possibly have been for extensions, as the company has made small increases in the number of subscribers in recent years. It has increased its subscriber list since 1908 by 68 telephones, 49 of which were on farm lines, and 19 were city residence stations. Between 1908 and 1910, \$650 of new stock was sold and

C. L. 86]

45 subscribers were added to the system. Some of this extension work probably was paid from earnings. In the last seven years, 23 subscribers were added to this system and no addition was made to stock outstanding. The indebtedness was increased from \$1,300 to \$1,550. Inasmuch as most of the additions were on grounded farm lines, it is evident that in seven years the company has not added to its property extensively from earnings.

The company claims to have a book value of about \$14,000. The Commission is not in a position to pass on this without a physical valuation of the plant, which it deems unnecessary for present purposes. For the purposes of figuring the present needs of the company, the figure of \$14,000 will be used in estimating maintenance and depreciation reserve requirements.

The company has paid 12 per cent. dividends, according to the records in the office of the Commission, since 1908, and according to the company's own statement has paid 12 per cent. dividends on this stock since the organization of the company in 1903. This rate was provided in the by-laws. At the same time, the company has not properly provided for maintenance, for unrealized depreciation, and for obsolescence. It requires no survey of the property to reach this conclusion inasmuch as one of the reasons the company is asking the increase is to secure money with which to replace central office equipment.

No depreciation reserve to cover expenses of this kind has been provided by the company, the surplus regularly being taken in dividends. The dividend rate of 12 per cent. is excessive. The company will be required to forego future dividends from date of this order until such time as such unpaid dividends shall equal the difference between the dividends actually paid and the amount they would have been at 8 per cent. per annum from the organization of the company. Such accumulated funds thus derived shall be used in repairs to plant and equipment and to the accumulation of a depreciation reserve to care for emergencies

and replacements. After such period of time the company shall pay not to exceed 8 per cent. dividends annually.

The rates proposed will provide the company with a maximum revenue of \$4,500 per annum, including toll and miscellaneous earnings. The increase over present gross revenue will be about \$800 per annum. The company does not set forth in detail the estimated increases in costs of materials, nor the prospective increases in wages and salaries necessary under present conditions.

In 1917, according to showing from the company's books, the expenditure, exclusive of lineman and materials, was \$1,528. In the absence of specific data as to increases in expenses, the Commission will estimate them at \$500 per annum, exclusive of increases in costs of materials and line repair work. The Commission is of the opinion, and so finds, that a sum equal to 10 per cent. of the book value of the property shall annually be set aside out of which shall be paid costs of materials and extra labor for repairs and replacements, and that part of lineman's salary which will represent the share of his total time devoted to line and switchboard maintenance and repair. The remainder of lineman's time shall be charged to general expense and operating in the proportion that he devotes time to these duties.

The Commission is of the opinion, and so finds, that the rate of \$1.25 per month should be authorized to meet the conditions discussed above.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the DuBois Telephone Company be, and it hereby is, authorized and directed, effective January 1, 1919, to publish a rate of \$1.25 per month for each and every class of telephone service proffered by it to the public.

It is further ordered, That said company shall set aside out of its gross earnings an amount annually equal to 10 per cent. of the book value of the property, out of which

C. L. 86]

sum shall be paid costs of materials and extra labor for repairs and replacements, and that part of lineman's salary which will represent the share of his total time devoted to line and switchboard maintenance and repair.

It is further ordered, That applicant company shall neither earn nor pay dividends on its outstanding stock until it shall have accumulated from the sources from which dividend funds have ordinarily been secured an amount equal to the difference between the total amount of dividends paid since the organization of the company, and the amount which would have been paid had the annual dividends been limited to 8 per cent. Such accumulated funds shall be carried in surplus accounts and in depreciation reserve account, and shall be expended in putting its property into 100 per cent. condition.

It is further ordered, That after the expiration of the period set forth next above, said company shall pay annually on its outstanding stock not to exceed 8 per cent. per annum.

Made and entered at Lincoln, Nebraska, this twenty-third day of November, 1918.

In re APPLICATION OF PAWNEE TELEPHONE COMPANY FOR
AUTHORITY TO CHARGE ADDITIONAL RATE FOR DESK SETS.

Application No. 3751.

Decided November 23, 1918.

Extra Charge for Desk Sets Authorized.

INFORMAL RULING.

On November 23, the Commission took action approving the charge of 25 cents for desk sets, as per the following entry in the minutes:

"Application having been made by the Pawnee Telephone Company of Pawnee City, Nebraska, for authority to charge 25 cents per month in addition to regular rates for telephone service where desk sets are

furnished, said rate to be made effective December 1, 1918; and it appearing to the Commission, on due consideration, that the application is reasonable and in line with the general allowance to cover the extra cost of installation, extra investment, and higher cost of maintenance, it was on motion directed that the application be approved, effective December 1, 1918, and that applicant be notified by letter of the action taken."

Please consider this letter sufficient authorization effective December 1, 1918.* †

November 26, 1918.

In re APPLICATION OF BASSETT-SPRINGVIEW TELEPHONE COMPANY FOR INCREASE IN RATES.

Application No. 3730.

Decided November 29, 1918.

**Increase in Business, Residence, Rural, Switching and Toll Rates
Authorized — 12 Per Cent. of Book Value Fixed for Maintenance
and Reserve for Depreciation — Dividends Limited to 8 Per
Cent.— Donation to Red Cross Eliminated from
Expenses — Method of Charging Salaries, Re-
pairs, and New Construction, Prescribed.**

Applicant sought authority to increase its exchange and toll rates by 25 per cent. Its capital stock was \$8,012.50 and it estimated the value of the plant at \$10,000, which was adopted by the Commission as the original cost. No reserve for depreciation has been set up nor any dividends paid. The proposed rates would increase revenues by about \$1,123, and allowing 8 per cent. dividends, and 6 per cent. for reserve for depreciation figured on \$10,000, applicant will have a surplus of approximately \$500 for materials and interest on outstanding indebtedness.

Held: That the proposed increase in rates should be authorized;

That the proposed increase in toll rates should be authorized, and that where toll service was asked for from a coin box station the next higher multiple of 5 cents should be charged;

* Letter of secretary of Nebraska State Railway Commission to George E. Becker, secretary of the Pawnee Telephone Company, Pawnee City, Nebraska, November 26, 1918.

† A similar ruling was made on October 25, 1918, with regard to the *Application of Union Telephone Company for Authority to Make an Extra Charge for Desk Sets* (at Wausa, Bloomfield and Crofton exchanges). Application No. 3717.

APPLICATION OF BASSETT-SPRINGVIEW TELEPHONE Co. 701

C. L. 86]

That applicant should set aside for maintenance and reserve for depreciation not less than 12 per cent. of the book value of the property per annum, said amount being allowed because of the evidently poor condition of the property, and should pay therefrom all charges for repairs, replacements, labor in connection therewith, and proper proportion of the lineman's salary devoted to repairs and replacements;

That after paying all expenses, including reserve for maintenance and depreciation, applicant should pay out of remaining surplus funds not to exceed 8 per cent. dividends on outstanding stock, and any surplus remaining should be used to take care of deficits or should remain expended until further order of the Commission;

That hereafter all charges for materials for maintenance and replacements and labor thereon should be separated from the cost of additions and betterments and carried into separate accounts;

That the salaries paid to manager and lineman should be separated, and such proportion as represented time devoted to general work should be charged to general expenses, and maintenance should be charged with that part representing the portion of time given to maintaining lines and switchboard;

That a \$5.00 donation to the Red Cross should be eliminated from operating expenses.

FINDINGS.

Applicant herein has asked authority of the Commission to increase its present toll and exchange rates 25 per cent. to meet conditions of operation and maintenance at the present time. Besides the advances in toll rates, the rates proposed would be as follows:

Business	\$2 50 per month
Residence	1 55 per month
Farm service	1 55 per month
Switching charges	5 00 per annum

The total revenue of applicant company in the year 1916 was \$2,545, and in 1917, \$3,652. A detailed statement for the first nine months of 1918 indicates that the total revenue for the calendar year will be approximately \$3,737. Of this, toll earnings are about \$1,200.

The increases proposed will add \$300 to the toll revenue if business continues at the present rate, and \$823 to the subscribers' rentals and switching service. These figures are based on 80 switched subscribers; the number of sub-

scribers switched apparently varies from time to time. Thus the maximum revenue which might be secured from the proposed rates would be \$4,860.

There are many discrepancies in the annual reports of this company, but in the main they show a lack of dividends paid, a very small amount of new construction done, and in the years 1916 and 1917 practically no net surplus. Detailed statement of applicant for nine months of 1918 shows total expenditures of \$2,726.85. This includes a \$5.00 donation to the Red Cross, which should be eliminated, and possibly a small amount of new construction.

The capital stock of the company has for years stood at \$8,012.50, par value of shares \$12.50. Applicant estimates the property value at \$10,000. The Commission has no data on which to reach a conclusion as to this, but insofar as the records of the company disclose, the capital stock was all paid for in cash, and while it is evident a considerable amount of new property has been built out of rates this new property in all events did not represent any more than the deferred dividends. Applicant has not taken care of depreciation reserve because of lack of revenue. Some vouchers were issued for dividends in amount of \$1,163, but the dividends were never paid and apparently the account is carried as accounts payable. If any interest was paid on these accounts payable the record and annual reports do not disclose it.

During the first nine months of 1918 the operators were paid \$312. Applicant says that it will be necessary to pay operators at the rate of \$600 per year. This is not out of line with the experience of other companies. As manager and lineman, C. W. Coryell has received \$75.00 per month and insists that he should have \$100 per month. The Commission considers this a reasonable allowance. The secretary, however, has been paid at the rate of \$300 a year. The records of a previous hearing indicate that the secretary does very little. The Commission considers it poor practice to carry anyone on the salary list in order that indirectly a return on investment may be secured, and it

was recommended that this salary be eliminated. The Commission is of the opinion, and so finds, that \$100 a month should be paid for general office salaries and lineman's wages, and no more. This does not include the pay of operators or extra help on the lines.

After all maintenance materials and maintenance labor have been eliminated, the operating expenses at present, according to applicant's showing, are \$1,357 per annum; general expenses, exclusive of manager and secretary, \$230 per annum. Manager and lineman should be paid annually \$1,200. When allowance is made for an increase in operators' wages of \$300 per annum, and dividends on the outstanding stock at 8 per cent., and a depreciation reserve of 6 per cent. on the original cost of the plant, figured in this case at \$10,000, there will remain from the total gross earnings approximately \$500 for materials and for interest on the outstanding indebtedness.

Applicant is manager and, for the most part, lineman. It will be a condition of this order that hereafter he separate the salary paid for manager and lineman, and to charge to general expenses such proportion of that salary as would represent the part of his time devoted to general work and to charge to maintenance that part of his salary which represents the portion of his time given to maintaining lines and switchboard. All repairs and replacements and the labor in connection therewith should be charged to maintenance and depreciation reserve. Whenever new construction in the way of additions or betterments is installed this should be carefully separated from maintenance and be carried on the books and reported to the Commission as new construction. Additions and betterments are not proper charges against the revenues of the company, but are capital charges and should be represented by stock or borrowed money.

The Commission is of the opinion, and so finds, that applicant should be allowed to increase telephone rates approximately 25 per cent., but such increases to be subject to conditions as set forth in the order below.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That, effective December 1, 1918, the Bassett-Springview Telephone Company be, and it hereby is, authorized to charge and collect for telephone service rates as follows:

Business	\$2 50 per month
Residence	1 55 per month
Farm service	1 55 per month
Switching charges	5 00 per annum

It is further ordered, That from and after December 1, 1918, toll rates of applicant company shall, until further order of the Commission, be advanced 25 per cent. over present toll rates, and that where toll service is asked for from a coin box station the next higher multiple of 5 cents will be charged.

It is further ordered, That applicant shall first pay from its gross earnings all proper operating expenses and general expenses, subject to a limitation of \$100 per month for lineman and general salaries; shall set aside for maintenance and depreciation reserve not less than 12 per cent. of the book value of the property per annum, and pay therefrom all charges for repairs and replacements and labor in connection therewith and the proper proportion of the lineman's salary devoted to repairs and replacements; shall pay all interest, taxes, heat, light, power and rent bills, interest on indebtedness, claims for loss and damage, if any; and, after all these charges have been met, and not until then, may pay out of remaining surplus funds not to exceed 8 per cent. dividends on outstanding stock. Because of evident poor condition of property of applicant the maintenance and depreciation fund is fixed at 12 per cent., but upon showing by applicant in future that the lines are in good condition this amount will be reduced.

It is further ordered, That applicant shall hereafter carefully separate all charges for material for maintenance and replacements and labor thereon from the cost of additions

C. L. 86]

and betterments, and carry such items separately in its accounts.

It is further ordered, That after all proper expenditures have been met, as set forth above, and dividends limited as above have been paid, applicant shall use any surplus remaining to take care of deficits in the items above, or shall carry said remaining surplus unexpended until further order of the Commission.

Made and entered at Lincoln, Nebraska, this twenty-ninth day of November, 1918.

In re APPLICATION OF ANSLEY TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE EXCHANGE RATES AT ANSLEY.

Application No. 3306.

Decided December 2, 1918.

Increase in Rates Authorized — 12 Per Cent. Fixed for Maintenance and Reserve for Depreciation — 8 Per Cent. Fixed for Rate of Return — Combination Two-Party Business and Residence Rate with a Higher Rate for Service on Two Circuits Than on One, Disapproved.

Applicant sought authority for an increase in rates. The company had a paid-up capitalization of \$13,950, on which dividends amounting to \$3,064 had been paid, and claimed a reproduction new value of \$33,861.14, and a present value of \$27,146.48. The Commission's engineer estimated the reproduction new value at \$34,821.64, and the present value at \$23,234.21. The estimated annual costs of operation, maintenance, taxes, general expense and return to stockholders, based on the figures of 1917 and estimates of increased expenses, were \$10,007. Present rates yielded an annual revenue of approximately \$8,600, or a deficit of \$1,500. Proposed rates would yield annual revenues of \$12,230.

Held: That an increase in rates as set forth by the Commission should be authorized, such rates yielding an estimated annual revenue of \$10,577;

That prior to the declaration or payment of any dividends to stockholders the sum of \$4,080, 12 per cent. on cost of reproduction new of \$34,000, should be set aside annually for a reserve for depreciation fund and maintenance;

That no greater revenue should accrue or be paid to stockholders on account of stock now in force than the sum of \$1,750 per annum, being

8 per cent. upon the capital paid in plus deferred return invested in property, or \$21,900;

That applicant's request for the approval of a combination two-party business and residence rate with a higher rate for service on two circuits than on one, should be denied, as it was impracticable to make such a distinction. Therefore only a combination two-party business and residence rate, regardless of the number of circuits involved, should be approved.

FINDINGS.

Applicant owns and operates a telephone plant of two exchanges and serves approximately 600 subscribers. Its present rates are as follows:

	<i>Per Month</i>
Business	\$1 50
Town, residence	1 00
Farm, residence	1 00
Extension set, additional.....	15
Desk set, additional.....	15

The following rates are applied for:

	<i>Per Month</i>
Business	\$2 00
Town, residence, one-party.....	1 75
Town, residence, two- or more party.....	1 50
Farm, residence, two- or more party.....	1 50
Business and residence, two-party (1 circuit).....	3 50
Business and residence, two-party (2 circuits).....	3 75
Extension set, additional.....	25
Desk set, additional	25

The matter was developed informally with a view to saving the time and expense required by a formal hearing. Applicant furnished the Commission with an inventory and valuation of its property and with statements of capital invested and revenues and expenses from the beginning of business; and a study was made of the applicant's annual reports to the Commission and of the inventory and valuation. The information thus presented plainly indicates that the application should be granted in some

C. L. 86]

measure, and that a complete investigation and hearing are not necessary for that purpose.

Applicant's organization dates from September 18, 1908. The capital contributions were as follows:

	<i>Amount Paid In</i>
1909	\$12,900 00
1910	550 00
1911	300 00
1912	150 00
1913	50 00
TOTAL	\$13,950 00

Dividends were paid to stockholders as follows:

<i>Year</i>	<i>Per Cent.</i>	<i>Amount</i>
1913.....	5	\$692 50
1914.....	5	697 50
1916.....	6	837 00
1917.....	6	837 00
TOTAL		\$3,064 00

Applicant secured 415 subscribers in its first year. The number has gradually increased to 600, and the additions to plant necessary to serve them have been paid for out of current revenues almost altogether. It is impossible to determine from the record the amount of revenues so used as the books are not in sufficient detail. The Commission is also advised that there are no records of any nature from which the cost of the plant from the beginning can be determined.

Applicant claims a present reproduction new value of \$33,861.14 and a present value of \$27,146.48. From information contained in the inventory as to quantities of property, age, and kind, the Commission's engineer estimates reproduction new value at \$34,821.64, and present value at \$23,234.21. It is evident, therefore, that a considerable

proportion of the plant was paid for out of operating revenues — fully one-half in all probability. Accepting for the purposes of this case, the present value found by the Commission's engineer (\$23,234.21), the question is: is the surplus in this value over and above the amount of capital contributed plus deferred dividends thereon, sufficient to meet the increased costs of operation now being experienced by applicant and give a reasonable return to stockholders without raising the rates?

The difference between the engineer's present value and the capital paid in is \$9,284.21. A reasonable return in plants of this size and situated as it is in western Nebraska where interest rates are abnormally high, is 8 per cent. per annum. Applying this rate to the capital invested from the beginning, gives a total return due of \$11,016. Deducting dividends paid of \$3,064, results in deferred dividends in the amount of \$7,952. Deducting deferred dividends from the difference between present value and the capital invested, results in a surplus of \$1,332.21.

Applicant reports the cost of replacements during the last five years as follows:

1913	\$2,078 40
1914	2,119 30
1915	3,082 31
1916	1,693 62
1917	3,214 77

The abnormal cost in 1915 was due to damage wrought by a severe sleet storm, and in 1917 to the destruction by fire of its exchange building at Berwyn. Disregarding the extraordinary cost in 1917, which should have been guarded against by insurance, and considering the age of the plant, it is safe to say that not less than \$2,500 per annum is now required for replacements, which is about \$500 above the normal. On the whole the plant has now lived two-thirds of its estimated age and expenditures for replacements will continue to increase until all of the original plant excepting wire has been replaced. Expenditures for repairs and

C. L. 86]

replacements may reasonably be expected to amount to 12 per cent. of the reproduction new value of the property for several years in the future.

The estimated annual costs of operation, maintenance, taxes, general expenses and return to stockholders based on applicant's experience in 1917, and estimates of increased expenses, are as follows:

Operating costs	\$2,900 00
Maintenance and depreciation (12 per cent. of reproduction new value of \$34,000)	4,080 00
General expenses, less portion of secretary-manager's salary, properly chargeable to maintenance and depreciation...	1,000 00
Taxes	275 00
Return to stockholders (\$13,950 capital paid in, plus \$7,950 of deferred dividends invested in plant — \$21,900) at 8 per cent.	1,752 00
TOTAL	\$10,007 00

The annual revenues due under the present rates, including toll, switching, and miscellaneous revenues, aggregate about \$8,600, subject to a reduction of about \$150 for uncollectible accounts. The annual deficit in present revenues measured by applicant's requirements is therefore about \$1,500, which is greater than the surplus in the property above what belongs to the stockholders.

An estimate of the annual revenues under the proposed rates is as follows:

Business telephones, 51 at \$24.00 per annum	\$1,224 00
Residence telephones, one-party, 106 at \$21.00 per annum ..	2,226 00
Residence telephones, two-party, 97 at \$18.00 per annum...	1,746 00
Farm telephones, 348 at \$18.00 per annum	6,264 00
TOTAL	\$11,460 00
Less uncollectible revenues, 2 per cent.	230 00
Net revenues from subscribers	\$11,230 00
Total revenues based on \$865.73 during 1917	1,000 00
TOTAL ESTIMATED REVENUES	\$12,230 00

The proposed rates are thus seen to be greater than necessary, the estimated revenue therefrom being more than \$2,000 in excess of requirements. The schedule proposed is also out of line with that prevailing in plants similarly situated, in that the residence and farm rates are relatively higher than the business rates. Reducing the residence and farm rates 25 cents per month each, results in an estimated annual revenue of \$10,577, which is sufficiently in excess of the estimated requirements to warrant a trial at least.

The Commission finds, therefore, that it is just and reasonable to grant the application to the extent above indicated, to-wit:

	<i>Per Month</i>
Business rate	\$2 00
Town residence rate, one-party.....	1 50
Town residence rate, two-party.....	1 25
Farm residence rate, party.....	1 25

subject to the following conditions:

(1) That prior to the declaration or payment of any dividends to stockholders the sum of \$4,080 shall be set aside from revenues, annually, to a fund to be known as maintenance and depreciation fund. No expenditures may be made from said fund other than for repairs and replacements of applicant's property. Any unexpended balance in the fund shall be placed at interest and the return therefrom credited to the fund.

(2) That no greater return accrue or be paid to stockholders on account of stock now in force than the sum of \$1,750 per annum, being 8 per cent. upon the capital paid in plus deferred return invested in the property.

Relative to applicant's request for the approval of combination two-party business and residence rates, with a higher rate for service on two circuits than on one, the Commission finds that it would be impracticable to make such a distinction in the rates. Every subscriber is entitled to ask for service according to the description and rate approved by the Commission, and it would be utterly impracticable to give everyone a single circuit service. The

C. L. 86]

Commission, therefore, approves combination two-party business and residence service over lines with which a third-party is not connected at one rate only, and regardless of the number of circuits involved, the rate to be the sum of the business and one-party residence rates, or \$3.50 per month.

The Commission also finds that it is reasonable to require the applicant to keep account of disbursements, as follows:

(1) Expenditures for operation, in detail as to exchange operators, toll operators, stationery and advertising, light, heat, water and power, rent for buildings, manager service and incidental expenses.

(2) Expenditures for maintenance, in detail as to buildings, central office equipment, aerial equipment, underground equipment, subscribers' stations, utility equipment, toll equipment, livery and stable expense, and incidental expenses; the salary paid to the secretary-manager to be apportioned to these accounts according to the proportion of his time devoted to the work of maintenance.

(3) General expenditures, in detail as to the salaries of officers, clerks, insurance, taxes and incidentals, and the remainder of the salary of the secretary-manager not chargeable to maintenance, to be included herein.

(4) Expenditures for additions and betterments exclusive of replacements. The necessity of accounts of this character is apparent when it comes to establishing rates, and now that applicant's attention has been called to its delinquency in this respect, failure to comply with this requirement in the future will not be tolerated. A business that is under heavy obligations to the public must of necessity keep complete record of its affairs.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Ansley Telephone Company be, and the same is hereby, authorized and directed on and after January 1, 1919, to charge, collect and receive rates for telephone service, according to the following schedule, to-wit:

	<i>Per Month</i>
Business service	\$2 00
Town residence service, one-party.....	1 50
Town residence service, two-party.....	1 25
Farm residence, party.....	1 25
Combination two-party business and residence service.....	3 50
Extension set, additional.....	25
Desk set, additional.....	25

subject to the following conditions:

(1) Prior to the declaration or payment of any dividends to stockholders, the sum of \$340 shall be set aside from revenues monthly to a fund to be known as maintenance and depreciation fund. No expenditures shall be made from said fund other than for repairs and replacements to the property. Any unexpended balance in the fund not required during six months following shall be placed at interest and the return therefrom credited to the fund.

(2) No greater return shall accrue or be paid to stockholders on account of stock now in force than the sum of \$1,750 per annum, being 8 per cent. upon the capital paid in and the deferred dividends invested in the property.

(3) Applicant shall keep account of disbursements as described in the finding herein.

(4) Reports shall be made to the Commission annually separate from the report required by statute, of the credits to and expenditures from the maintenance and depreciation fund.

Made and entered at Lincoln, Nebraska, this second day of December, 1918.

C. L. 86]

In re APPLICATION OF FIRTH TELEPHONE COMPANY FOR
INCREASE IN RATES.

Application No. 3563.

Decided December 2, 1918.

**Increase in Rates Authorized — Company Ordered Not to Pay Dividends
for a Time in View of Excessive Dividends in Past and Failure
to Maintain Reserve for Depreciation — Dividends
Limited to 8 Per Cent.**

Applicant, which is a cooperative concern with 159 shares of stock and 146 stockholders, and serves 335 subscribers, sought authority to increase rates for all classes of service from \$1.00 to \$1.25 per month. Prior to 1916 the stockholders paid assessments in lieu of rentals, other subscribers paying the \$1.00 rate. The Commission, after computing the difference as rebates to stockholders, and allowing 8 per cent. per annum upon the capital paid in, estimated that the stockholders had received an excess return between 1906 and 1918 of \$4,154. Reserve for depreciation had not been set aside, and the existing depreciation was estimated at \$5,000, based on a cost of replacement at 20 per cent. below existing prices of materials and labor. The company's book assets were \$9,117.06 and in 1917 it had a net operating income for reserve for depreciation and return of \$958.95.

Held: That although no dividends were paid to stockholders up to 1916, the difference between the annual rates paid by non-stockholders and the assessments paid by the stockholders was in fact a return to the stockholders, and would be so considered;

That as the stockholders had received an excessive return above a return of 8 per cent. per annum, and had set aside no reserve for depreciation, all of the surplus earnings should be set aside to a maintenance and depreciation fund until such time as the excess return had been absorbed, or until January 1, 1924;

That expenditures should be made from said fund only to maintain the plant in good operating condition, including replacements and betterments;

That as an increase of 25 cents per month would yield increased revenues of \$939 per annum, which would permit of a credit to depreciation and maintenance fund of about \$1,500 annually, and enable applicant to maintain its plant in first class condition, such a rate was just and reasonable and should be authorized;

That the return to stockholders on and after January 1, 1924, on account of stock now in force or any issued hereafter, should not exceed 8 per cent. per annum without the consent of the Commission.

FINDINGS.

This is an application for an increase of service rates from \$1.00 per month to \$1.25 per month for all classes of service. The number of telephones according to use are, 24 business, 45 village residence, and 244 farm residence, of which 22 are single line and the remainder party line. The same rate for all classes of service is due to the fact that the company is a cooperative concern, there being 159 shares of capital stock in force and 146 stockholders. The company began operation in the year 1905 and the rate has been \$1.00 per month for all classes of service all of the time. Prior to 1916 the stockholders paid assessments in lieu of rentals, amounting to \$3.00 per share, per year, for the years 1906 to 1908, inclusive, and \$4.00 per share for the years 1909 and 1915, inclusive. All other subscribers paid the dollar rate. No dividends were paid to stockholders during this period, but the difference between the annual rates paid by non-stockholders and the assessments paid by the stockholders is in fact a return to the stockholders.

The business of the company has been very successful. The plant appears to have been installed at a minimum of cost and the expenses of operation have likewise been very low. No overhead costs have been incurred until recent years, and the secretary of the company receives only \$250 per annum for his services. The directors received nothing for their services until the last year or two, during which they were paid \$2.00 a meeting, and meetings were held three or four times a year only. The total overhead expense during the entire history of the plant appears not to have exceeded \$1,000. Individual stockholders appear to have contributed more or less labor in the construction of the plant.

A statement of the capital paid in, the rebates to stockholders under the assessment plan followed, a return of 8 per cent. per annum upon the capital paid in, and the excess return to stockholders above 8 per cent. per annum,

C. L. 86]

for each of the years of the life of the company, is as follows:

<i>Year</i>	<i>Capital</i>	<i>Rebates</i>	<i>8 Per Cent. Per Annum</i>	<i>Excess Return</i>
1906	\$5,050	\$909	\$404	\$505
1907	6,000	1,080	480	600
1908	6,300	1,038	504	534
1909	6,400	1,001	512	489
1910	6,600	1,056	528	528
1911	6,650	1,064	532	532
1912	7,800	1,068	624	444
1913	7,600	1,248	624	624
1914	8,000	1,064	640	424
1915	8,100	1,116	648	468
TOTAL		\$10,644	\$5,496	\$5,148

In 1916 the assessment plan was abandoned and stockholder subscribers paid the same rates as non-stockholders. A dividend of 12½ per cent. was declared and paid during that year, which should be added to the total of rebates shown in the foregoing statement in computing the return paid to stockholders. A continuation to date of the foregoing statement is as follows:

<i>Year</i>	<i>Capital</i>	<i>Rebates</i>	<i>8 Per Cent. Per Annum</i>	<i>Excess Return</i>
Brought forward		\$10,644	\$5,496	\$5,148
1916	\$8,150	978	652	326
1917	8,250	.....	660	*660
1918	8,250	.....	660	*660
TOTAL		\$11,622	\$7,468	\$4,154

* Deficit.

No part of the revenues has ever been set aside to cover depreciation in the company's property and the time is near at hand when a considerable part of the plant will have to be replaced. The aerial equipment is thirteen years old and the record shows that the poles and cross-arms are in poor condition. The poles need resetting at an early date,

and probably 90 per cent. of them will have to be replaced during the next seven years. Considerable depreciation exists also in the wire and some has occurred in the switchboard, though it is only five years old. The Commission's engineer estimates the existing depreciation of the whole plant at \$5,000, based on a cost of replacement at 20 per cent. below existing prices of materials and labor. A public utility concern is obligated to set aside from earnings an amount sufficient to cover unrealized depreciation before any return is paid to stockholders. Applicant must, therefore, discharge this obligation before any return can accrue to stockholders in the future. The Commission finds, therefore, that all of the surplus earnings remaining after paying the costs of operation, taxes, losses, damages and overhead expenses shall be set aside to a maintenance and depreciation fund until such time as the excess return above noted shall have been absorbed by a return calculated at 8 per cent. per annum from January 1, 1919, upon the capital invested. Expenditures may be made from said fund only on account of maintaining the plant in good operating condition, including replacements and betterments.

Applicant's asset and liability statement on December 31, 1917, is as follows:

<i>Assets.</i>	
Plant	\$7,746 00
Utility equipment	80 00
Material and supplies on hand.....	414 40
Accounts receivable	876 65
TOTAL	\$9,117 05
<i>Liabilities.</i>	
Capital stock	\$8,250 00
Notes and accounts payable.....	136 24
Depreciation reserve	730 81
TOTAL	\$9,117 05

C. L. 86]

The revenues and expenses during 1917 were as follows:

<i>Revenues.</i>	
Subscribers' service	\$3,550 75
Toll service, net.....	176 40
Sundry sales	19 15
<hr/>	
TOTAL	\$3,746 30
<i>Expenses.</i>	
Maintenance	\$1,577 97
Operative	807 29
General	292 15
Taxes	109 94
<hr/>	
TOTAL	\$2,787 35
<hr/>	
NET OPERATING INCOME.....	\$958 95

The revenues would be \$205.25 greater on the assumption that the number of telephones in service at the close of the year was the same throughout the year and if the rentals earned were all paid. A dividend of \$978 was paid during 1917, which absorbed all of the net operating income for the year and created an actual overdraft with the treasurer.

The record shows that there will be no net operating income for 1918 owing to the increased costs of operation and the extent of replacements of worn-out property. Applicant will be unable to maintain its plant in good operating condition under the present scale of rates, to say nothing of setting aside a reserve for unrealized depreciation. There is no obligation, however, on the rate payers to provide revenues for a return to stockholders for a little more than five years to come, due to previous payment to stockholders of a reasonable return for that period, assuming that no additional capital is invested. A return of 8 per cent. upon the investment results in an annual return of \$660. Dividing this annual return into the excess return already paid to stockholders of \$4,154 gives the number of future years during which stockholders would not be entitled to earn a return, or 3.2 plus years. An increase of 25 cents per

month in subscribers' rates will yield \$939 per annum, according to the present number of subscribers. Such a rate will doubtless permit of a credit to maintenance and depreciation fund about \$1,500 annually over and above the cost of ordinary repairs, and enable applicant to maintain its plant in first-class condition. The record shows that a number of country lines are heavily burdened with subscribers. These should be reduced to 10 subscribers to the line as soon as possible in order to bring the service up to the standard governing in plants of this character.

The Commission finds, therefore, that a rate of \$1.25 for the service furnished applicant's subscribers is just and reasonable, subject to the creation of a balance in the fund for maintenance and depreciation and to the limitation of the return to stockholders as above set forth.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Firth Telephone Company be, and the same is hereby, authorized and directed from and after January 1, 1919, to charge, collect and receive a rate of \$1.25 per month for the telephone service furnished by it to regular subscribers, subject to the following conditions:

1. No return shall accrue to stockholders on account of stock now in force until on and after January 1, 1924.

2. The balance of all revenues, including the net revenue from toll service after paying the costs of operation, taxes, interest, losses, damages and general expenses, shall be credited to a fund to be known as maintenance and depreciation fund. Expenditures may be made from said fund only on account of maintaining the plant in good operating condition and in defraying the cost of all replacements and additions necessary to the rendition of such service.

3. The return to stockholders on and after January 1, 1924, on account of stock now in force, or on account of any stock issued hereafter, shall not exceed 8 per cent. per annum without the consent of the Commission.

Made and entered at Lincoln, Nebraska, this second day of December, 1918.

C. L. 86]

In re APPLICATION OF FARMERS TELEPHONE COMPANY OF DIX,
NEBRASKA, FOR SCHEDULE TELEPHONE RATES.

Application No. 3662.

*Decided December 3, 1918.***Schedule of Rates Authorized — 10 Cents per Call Fixed for Non-subscribers Using Local Exchange.**

FINDINGS.

Applicant has undertaken to construct a small but modern exchange at Dix, Nebraska, and to absorb certain farm line companies on a basis found reasonable by the Commission in another action presented for its consideration.*

The proposed rates are as follows:

	<i>Per Month</i>
Individual business, net.....	\$3 00
Party line business, net.....	1 50
Farm line, per station.....	1 25
Residence service, party line.....	1 50
Switching services, per station.....	50
For non-subscribers using local exchange, 15 cents per call and 25 cents per call at night.	

The Commission considered the spread between the residence and farm line rates and the rate for individual business service out of proportion, and suggested to the company the reduction in its application of \$2.25 per month net for individual business service. The suggestion was concurred in by amendment to the application, dated November 26, 1918.

The Commission has never approved the rate of 15 cents per call for non-subscribers using the local exchange, and in this instance will authorize a rate for non-subscribers at the usual rate at 10 cents per call. If applicant desires to have a rate for night service with the hour of closing the

* See Commission Leaflet No. 83, p. 1639.

exchange, application to the Commission should be made therefor with rates designated for night calls for subscribers and night calls for non-subscribers.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Farmers Telephone Company of Dix, Nebraska, be, and it hereby is, authorized to publish the following charges for telephone service on its exchange at Dix, Nebraska:

	<i>Per Month</i>
Individual business, net.....	\$2 25
Party line business, net.....	1 50
Farm line, per station.....	1 25
Residence service, party line.....	1 50
Switching service, per station.....	50
For non-subscribers using local exchange, 10 cents per call.	

Made and entered at Lincoln, Nebraska, this third day of December, 1918.

In re APPLICATION OF HAMILTON COUNTY FARMERS TELEPHONE ASSOCIATION FOR AUTHORITY TO REDUCE NON-SUBSCRIBER TOLL RATE BETWEEN HAMPTON AND AURORA.

Application No. 3760.

Decided December 9, 1918.

Reduction in Toll Rate to Meet Competitive Conditions Authorized.

INFORMAL RULING.

On December 9, the Commission took action on your application to reduce toll rates between Hampton and Aurora for non-subscribers, as per the following entry in the minutes:

“Application was made by the Hamilton County Farmers Telephone Association for authority to publish a rate of 5 cents per call for non-subscribers between Aurora and Hampton, Nebraska; and it appearing

C. L. 86]

to the Commission, on due consideration, that the rate heretofore filed by said company and in force and effect was 15 cents per call between the towns mentioned; and it appearing, further, that the reduction is in order to meet competitive conditions, it was on motion directed that the desired authority be granted and that applicant company be notified by letter of the action taken."

You have on file the rate of 15 cents per call for non-subscribers between exchanges and this will be one exception to it.*

December 9, 1918.

In re APPLICATION OF EAGLE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE EXCHANGE RATES.

Application No. 3414.

Decided December 13, 1918.

**Increase in Rates Denied — Company Ordered Not to Pay Dividends
During Four Years in View of Excessive Dividends in Past and
Failure to Maintain Reserve for Depreciation — Property
Ordered Rehabilitated — Dividends Limited to 7 Per Cent.**

FINDINGS.

The Eagle Telephone Company, applicant herein, was organized in the fall of 1901 by the citizens of that town subscribing for and taking 22 shares of stock at \$15.00 a share, amounting to \$330, said money to be used in building a telephone exchange in Eagle. The company started with 7 telephones. During the next few years four groups of farmers organized farm lines and ran them into the switch-board of the Eagle Telephone Company. All 'phone users paid 50 cents per month. From 1901 to 1909 the number of subscribers' stations had increased to 130. The four farm lines and the Eagle exchange in 1909 consolidated their properties. The farm lines have been organized on the

* Letter of secretary of Nebraska State Railway Commission to Mr. W. M. Woodhead, secretary of Hamilton County Farmers Telephone Association, Aurora, Nebraska, December 9, 1918.

basis of \$15.00 per share, the same as that of the Eagle company. When the combination was made everybody was assessed \$5.00 per share, which amounted to \$10.00 per subscriber's station because there was a \$5.00 assessment on the telephone and \$5.00 on the line. The combined company then took up all of the stock of both companies and issued new stock at \$20.00 per share. This amounted to \$4,780, which was increased \$80.00 by the sale of stock, making the entire outstanding capitalization \$4,860. Since that time no stock has been sold nor have any assessments been made upon the stockholders for operating expenses or extensions and betterments. All telephone users, both stockholders and non-stockholders, were then charged \$1.00 per month for all classes of service, which rate has been continuously and is now in effect. The applicant now asks that said rates be increased to \$2.00 per month for desk telephones; \$1.50 per month for business telephones; \$1.50 per month for one-party residence telephones; \$1.50 for two-party residence telephones, and \$1.25 for farm telephones, the number on farm lines to be limited to ten. The company paid no dividends for the years 1909 and 1910, but in lieu thereof expended the net balances, after all operating expenses, taxes, losses and damages were paid, in certain extensions and betterments, the exact amount of which the company could not give the Commission. They did state, however, that the extensions and betterments built out of the operating income for those years consisted of a switchboard, which cost \$207; that they installed a certain amount of cable but did not know the cost of it; that they built a coal house on the lots and a pole rack, and that they also put in a well, all of which were paid for out of the operating income.

From January, 1912, to January, 1918, inclusive, the company declared and paid out in cash the following amounts as dividends upon the \$4,860:

C. L. 86]

	<i>Per Cent.</i>
January, 1912, for year 1911, \$607.50, equaling.....	12½
January, 1913, for year 1912, 729.00, equaling.....	15
January, 1914, for year 1913, 729.00, equaling.....	15
January, 1915, for year 1914, 729.00, equaling.....	15
January, 1916, for year 1915, 607.50, equaling.....	12½
January, 1917, for year 1916, 729.00, equaling.....	15
January, 1918, for year 1917, 388.80, equaling.....	8
TOTAL	\$4,519.80 93

Average per cent. in dividends paid for the seven years, 13½ per cent.

But the company did not pay dividends for the years 1909 and 1910, and when we spread the 93 per cent. over the entire period of nine years we find that the average paid out was 10⅓ per cent.

If the company had paid out 7 per cent. dividends only for the years 1911 to 1917, inclusive, it would have had cash balances on hand for the purpose of maintaining its properties, as shown by the following tabulation:

	<i>Dividends Paid</i>	<i>Dividends at 7 Per Cent.</i>	<i>Leaving a Balance of</i>
1911	\$607 50	\$340 20	\$267 30
1912	729 00	340 20	388 80
1913	729 00	340 20	388 80
1914	729 00	340 20	388 80
1915	607 50	340 20	267 30
1916	729 00	340 20	388 80
1917	388 80	340 20	48 60
TOTAL	\$4,519 80	\$2,381 40	\$2,138 40

Allowing now \$340.20 as dividends for each of the years 1909 and 1910 the balance as shown above would be reduced \$680.40, and the net balance available for maintenance and depreciation would be \$1,458.

The president and secretary of the company both admitted that they realized that excessive dividends were being paid, and that the properties were allowed to depreciate on that account, but the board of directors insisted on

the dividends as above shown. The engineering department of the Commission after examination reported the properties to be in not more than 46 per cent. condition.

The statement of the officers and the report of the engineering department in regard to the depreciation of the properties conclusively show that the properties were constantly being robbed by the directors by paying out money as dividends that should have been spent for maintenance and depreciation. The Commission is of the opinion that the directors should not have paid out any dividends if money had not been earned sufficient to maintain the properties, and certainly the company should restore to its treasury dividends received in excess of a normal amount that the properties may be rehabilitated, but as it may be difficult to collect the excessive dividends paid to the individual stockholders the Commission is of the opinion that the stockholders should forego dividends until it amounts to \$1,458 at 7 per cent. upon the outstanding capital stock, which amounts to \$4,860. This will require a period of approximately four years. The order of the Commission will be in accordance with the findings herein.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Eagle Telephone Company shall not pay any dividends upon the stock now outstanding, which amounts to \$4,860, for years 1918, 1919, 1920, and 1921, and that thereafter the dividends shall not be more than 7 per cent. upon said capitalization and upon any additions and betterments that may be made from time to time properly chargeable to capital account and approved as such by the Commission.

It is further ordered, That the applicant after paying all operating expenses shall expend all balances in rehabilitating its properties until the properties have been brought up to a proper standard of working efficiency.

It is further ordered, That the company make special reports to the Commission on March 31, June 30, Septem-

C. L. 86]

ber 30, and December 31, 1919, as to the amount of money that it actually spends in rehabilitating its properties, these reports to be independent of the annual report that is to be made to the Commission.

It is further ordered, That the application for an increase in rates shall be, and the same is hereby, denied.

Made and entered at Lincoln, Nebraska, this thirteenth day of December, 1918.

In re APPLICATION OF C. E. CAMPBELL, OWNER OF PLANT AT
WESTERN, NEBRASKA, FOR INCREASE OF RATES.

Application No. 3767.

Decided December 19, 1918.

Increase in Rates Authorized — 8 Per Cent. Reasonable Rate of Return
— Return not Permitted on Operating Revenues Put into Plant
— Dividends Limited to 8 Per Cent.— Owner Forbidden
to Put Surplus into Plant — Rate for Reserve
for Maintenance Considered.

Applicant, whose plant has 155 village and 220 rural subscribers at Western, Nebraska, sought authority to increase business rates 50 cents per month and other rates 25 cents per month. The Commission estimated the total investment as disclosed by the books at \$23,769.89, from which it excluded \$2,754.17 which applicant had put into the plant over and above a return of 8 per cent. during the period of operation. The Commission estimated that the proposed rates would yield a revenue, including toll and miscellaneous items, of \$7,066 per annum and that expenses, including \$1,680 as a return, would amount to \$7,310.

Held: That the original purchase price of the plant, \$7,000, owing to the meagreness of the consideration, which, measured by the number of subscribers, was only \$28.00 per station, could fairly be assumed as fully covered by the sacrifices of the original owners;

That a return of 8 per cent. was not unreasonable in view of the excellent manner in which the business had been conducted both from the standpoint of finance and service;

That applicant's contention for a return of 8 per cent. per annum upon the investment regardless of the source of funds, whether out of his own pocket or from the operating revenues, was not sound, as he was entitled to a return only upon his own capital invested in the property;

That the proposed increase in rates should be authorized subject to a limitation of return to the owner of not more than 8 per cent. per annum upon the capital invested in the property from his own resources, and upon the reinvestment of return in the property to the extent it is done;

That as a plant of the size and age of that under consideration should have a reserve for maintenance purposes in an amount equal to 10 per cent. or 15 per cent. of its cost, or from \$2,000 to \$3,000, applicant should be prohibited from investing any of the operating revenues in the property beyond the amount due him as a return upon his investment.

FINDINGS.

Applicant's plant supplies telephone service to 155 subscribers residing in the village of Western, Nebraska, and 220 farm subscribers residing in the vicinity. The present rates are as follows:

	<i>Per Month</i>
One-party business	\$2 00
Two-party business	1 50
One-party residence	1 50
Two-party residence	1 25
Four-party residence	1 00
Farm	1 25

The proposed rates are 50 cents greater for business and 25 cents greater for all other classes of service. No formal hearing was held, due to the manifest necessity for an increase of rates, and the fact that rates are always subject to complaint.

Applicant purchased the plant June 1, 1912, the consideration being \$7,000. The plant then had 250 subscribers. No books of account were kept by applicant's predecessor and applicant is unable to show the amount invested in the plant prior to his purchase. Owing to the meagreness of the consideration, measured by the number of subscribers (being only \$28.00 per station), it is fair to assume that it was fully covered by the sacrifices of the original owners.

Applicant has made subsequent investments in the plant, and a statement of capital invested is as follows:

C. L. 86]

Original investment June 1, 1912.....	\$7,000
Investment during thirteen months ending June 30, 1913.....	2,730
Investment during year ending June 30, 1914.....	3,600
Investment during year ending June 30, 1915.....	1,200
Investment during year ending June 30, 1916.....	1,200
Investment during year ending June 30, 1917.....	1,200
Investment during six months ending December 31, 1917.....	600
TOTAL	\$17,530

Additional investments in the plant were made from operating revenues, as follows:

Investments from revenues during thirteen months ending June 30, 1913	\$880 29
Investment from revenues during year ending June 30, 1914..	1,761 00
Investment from revenues during year ending June 30 1915..	1,277 70
Investment from revenues during year ending June 30 1916..	1,475 91
Investment from revenues during six months ending December 31, 1917	844 99
TOTAL	\$6,239 89
TOTAL INVESTED IN PLANT FROM ALL SOURCES.....	23,769 89

The annual revenues and expenses from June 30, 1912, to June 30, 1917, are as follows:

<i>Year Ending</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Net Income</i>
June 30, 1912	\$3,500 00	\$2,542 35	\$957 65
June 30, 1913	3,720 00	2,902 06	817 94
June 30, 1914	4,490 00	2,812 75	1,677 25
June 30, 1915	5,133 87	2,802 28	2,331 59
June 30, 1916	5,082 39	3,411 53	1,670 86
June 30, 1917	5,352 52	3,268 24	2,084 28
TOTAL	\$27,278 78	\$17,739 21	\$9,539 57

Applicant withdrew the sum of \$2,739.28 from the net income as profit and invested \$6,239.89 of the income in the property, leaving a surplus of \$560.45.

Applicant contends for a return of 8 per cent. per annum upon the investment, regardless of the source of the funds, whether out of his own pocket or from the operating revenues. The percentage is not unreasonable in view of the

excellent manner in which the business has been conducted, both from the standpoint of finance and service. He is entitled in law, however, to a return only upon his own capital invested in the property. A computation of the return to the owner on this basis, dating the additions of capital from the first of the year following the additions, gives the sum of \$6,225 as the amount of return due to June 30, 1918. Deducting the profit withdrawn during that period of \$2,739.28 gives the sum of \$3,485.72 as the amount of profit invested in the property, amounting in effect to the addition of so much capital. Adding this to the capital invested by the owner from his own resources gives the sum of \$21,015.72 as the capital invested in the property on June 30, 1918.

The cost of conducting the business has increased considerably during the current year, due to the advance in prices of labor and material. The average monthly cost for the first seven months of the year are shown to be \$427.25, or \$5,127 annually. Applicant has since increased wages 10 per cent. and represents that a further advance in wages will have to be made in order to hold his employees. The advance of 10 per cent. amounts to \$336 annually, and it is safe to assume that an additional 5 per cent. advance will have to be made. The expenses for the coming year are therefore estimated at \$5,630, to which must be added an allowance of \$1,680 as a return upon the capital invested, making the annual budget \$7,310. The revenues under the proposed rates, assuming that there will be no loss of subscribers, and including commissions from toll business and other revenues, will amount to \$7,066 per annum.

The Commission finds, therefore, that the proposed increase of rates is reasonable, subject, however, to the limitation of return to the owner of no more than 8 per cent. per annum upon the capital invested in the property from his own resources, and upon the reinvestment of return in the property to the extent it is done.

The attention of the applicant is called to the imprudence of investing all of his net income in the property over and

C. L. 86]

above that due him as a return, as all of this surplus will doubtless be needed for maintenance purposes before long. A plant of the size and age of that under consideration should have a reserve for maintenance purposes in an amount equal to 10 per cent. or 15 per cent. of its cost, or from \$2,000 to \$3,000; and in order to make it available when needed it should be in the form of cash in bank or securities which may be realized upon readily in case of need. Applicant will, therefore, be prohibited from investing any of the operating revenues in the property beyond the amount due him as a return upon his investment.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the applicant be, and the same is hereby, authorized and directed on and after February 1, 1919, to charge, collect and receive rates of charge for telephone service furnished by his property located in Western, Nebraska, and vicinity as follows:

	<i>Per Month</i>
One-party business	\$2 50
Two-party business	2 00
One-party residence	1 75
Two-party residence	1 50
Four-party residence	1 25
Farm	1 50
Extension sets, additional	50
Extension bells, additional	25

subject to the following conditions:

1. That no greater return shall inure to the applicant than 8 per cent. per annum upon the capital invested in the property, including any deferred return to the applicant that may be so invested;

2. That none of the operating revenues be used in making additions or betterments to the property other than that portion inuring to the owner as a return in accordance with the preceding condition.

Made and entered at Lincoln, Nebraska, this nineteenth day of December, 1918.

In re APPLICATION OF WYOMING AND NEBRASKA TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE TOLL AND
EXCHANGE RATES.

Application No. 3736.

Decided December 31, 1918.

**Increase in Exchange and Toll Rates Authorized — 9 Per Cent. Fixed for
for Maintenance and Reserve for Depreciation — Valuation not
Made — Percentage Increase in Exchange Rates Dis-
approved — Dividends Limited to 8 Per Cent.—
Basis of Charges to Reserve for De-
preciation Fund Prescribed.**

Applicant, which owns 11 exchanges, two of which are outside of the State, and serves 2,250 subscribers and 1,361 switched farm stations, and has an extensive toll system several hundred miles in extent, sought authority to increase exchange and toll rates 25 per cent. It reported the property investment at approximately \$325,000, and \$172,740 common stock and \$157,244 outstanding short term notes. The Commission estimated that, allowing 9 per cent. of \$325,000 for maintenance and reserve for depreciation, and 8 per cent. interest on the outstanding notes, the present rates would produce a deficit of \$9,563, leaving nothing for dividends. The proposed rates would increase revenues by approximately \$17,000 per year.

Held: That a uniform percentage increase when applied to exchange rates would result in rates awkward for both the company and its subscribers, and certain specific rates set out by the Commission should be authorized, subject to a prompt payment discount;

That applicant should be authorized to charge to subscribers receiving regular exchange service, toll rates 25 per cent. greater than those on file, major fractions of 1 cent to be counted as a full cent in the computation, and all other users of such service should pay the same rates as regular subscribers with additions, in the case of charges not divisible by 5, of an amount sufficient to make such divisions;

That in view of the operating territory and the large wire mileage required, an allowance of 10 per cent. for maintenance and reserve for depreciation might be justified, but the company should be authorized to set up 9 per cent. of the fixed capital invested for such purpose;

That dividends should not exceed 8 per cent. upon the outstanding common stock;

That the basis of all charges to reserve for depreciation fund should be the full cost of replacements made in kind less salvage values of the property displaced, and where replacements were not made in kind should be

C. L. 86]

the reproduction new value of the property displaced, as of the time of the purchase of the property installed, the difference in value to be debited or credited to plant account according as the cost of the property installed should be above or below the estimated reproduction new value of the property displaced;

That no cost incurred in the consolidation of plants or properties, other than replacement cost of property constituting a part of the property owned by applicant in the first instance, should be charged to said fund.

FINDINGS.

Applicant owns and operates a telephone system in the extreme northwest portion of Nebraska, comprising 11 exchanges, two of which are located outside the State, and an extensive toll system covering a territory several hundred miles in extent. It now makes application for authority to increase its exchange and toll rates 25 per cent.

Applicant serves 2,250 subscribers, for whom it furnishes the equipment, and in addition switches 1,361 farm telephones, the lines and instruments of which are owned by the farmers.

On July 16, 1916, the Commission issued an order to the Tri-State Telephone Company, predecessor of the Wyoming and Nebraska Telephone Company, authorizing the issuance of \$75,000 of bonds and \$108,000 of stock, covering the investment in the entire system to that date. For reasons not necessary to discuss here, the organization of the Tri-State Telephone Company was never completed, and later the corporation as it now exists was organized and took over all of the property involved. The books were opened, however, on the basis of \$183,000 property investment, the sum approved by this Commission. Later, certain exchanges were purchased and extensive additions and betterments were made to the property, so that the property investment stands today at approximately \$325,000. Not having checked the books of the company from the date of the hearing in the stock and bond case in 1916, the Commission is not prepared to find that the figure of \$325,000 represents the actual investment by the stockholders in the property, although testimony to that

effect is offered in the record. It is not necessary for the purpose of this case, however, to definitely determine what this figure should be. There is outstanding at the present time common stock in the amount of \$172,740, and bills payable in the form of short term notes in the sum of \$157,244.

The applicant asserts that due to war conditions its expense of operation has been materially increased. The record shows that applicant has lost a large number of trained and experienced employees, who were attracted by higher wages paid in other industries, particularly by the railroad companies operating in the territory served by the telephone company. Substantial increases in wages have already been made by applicant, and it anticipates that other increases will be necessary in the near future. Not only have increases in wages been necessary, but due to the necessity of employing inexperienced help the number of employees has been increased, thus materially adding to the expense.

A statement of the operating expenses for the month of October, 1918, is submitted as follows:

APPLICATION OF WYOMING AND NEBRASKA TEL. Co. 733

C. L. 86]

Revenues:

Subscribers' stations	\$4,337 48
Toll	2,283 46
Miscellaneous	61 57

TOTAL	\$6,682 51
--------------------	-------------------

Expenses:

Operation	\$1,336 26
Commercial	1,151 54
General	1,300 02
Maintenance and depreciation (9 per cent. of * \$325,000)	* 2,437 50

TOTAL	\$6,225 32
--------------------	-------------------

Operating income.....	\$457 19
Taxes	\$225 00 225 00

NET OPERATING INCOME	\$232 19
Interest (8 per cent. on \$157,244).....	\$12,579 52
Deducting annual net income.....	† 2,784 00

DEFICIT	† \$9,563 00
----------------------	---------------------

* This seems to be a manifest error.

† An error is apparent.

The item for maintenance and depreciation in the above statement is based on 9 per cent. of the present property value of \$325,000. The charge for this purpose submitted by applicant for the month of October was \$2,895.60, but this amount was above the normal because of certain readjustments due to depletion of the fund in June to enable the company to meet its dividend payments. It is possible that the territory in which this company operates and the large wire mileage required to serve both its toll and exchange patrons would justify an allowance of 10 per cent. for maintenance and depreciation. Such an allowance would increase the deficit as above shown.

It will be noted from this statement that the company is barely paying its actual operating expenses, without any

surplus for interest or dividends. The increase in expenses anticipated by the company will necessarily increase the amount of the deficit. It is apparent, therefore, that the claim of the company for additional revenues is amply justified, and that it should be permitted to increase its rates.

Applicant has asked for the straight percentage increase of 25 per cent. for both exchange and toll rates. In view of the fact, however, that a uniform percentage increase when applied to exchange rates will result in rates awkward for both the company and its subscribers, the Commission finds that certain specific rates hereinafter named in the order should be approved. The percentage increase may be applied as a surcharge to toll rates without the same inconvenience as applies to exchange rates. The increases resulting from the rates to be approved by the Commission will amount to approximately \$17,000 per year. After the anticipated increases in expenses are paid and the interest on the outstanding current liabilities, there will be a surplus available for dividends, although it is impossible at this time to estimate what that amount will be. No greater return will be permitted to the holders of notes and stock than has been paid in the past. The increase of rates will also be limited to six months from the effective date of this order, subject to continuation by the Commission on due proof of the necessity.

Monthly reports of revenues and expenses, including appropriations to the depreciation reserve fund and expenditures on that account, will be required so as to enable the Commission to keep advised as to the results of the increase. In this connection, applicant should be advised that it should make an effort to refinance its company with the object of reducing its bills payable and converting them into some form of long time obligations, bearing a lower rate of interest. The present is probably not an opportune time for such refinancing, but the company should have it in mind so that it will be effected at the earliest possible date.

ORDER.

It is, therefore, ordered, That the Wyoming and Nebraska Telephone company be, and the same is hereby, authorized and directed on and after January 1, 1919, and for a period of six months thereafter, to charge and collect the following schedule of monthly rates for the service described at the exchanges named, to-wit:

Belmont:

Individual business	\$2 75
Individual residence	2 00
Switching service	60

Chadron:

Individual business	3 25
Individual residence	2 00
Party residence	1 75
Farm	2 00
Switching service	60
Business extension	1 25
Private branch exchange.....	75
Residence extension	75

Cody:

Switching service	60
-------------------------	----

Crawford:

Individual business	3 25
Individual residence	2 00
Party residence	1 75
Farm	2 00
Switching service	60
Business extension	1 25
Private branch exchange.....	75
Residence extension	75

Crookston:

Individual business	3 25
Individual residence	2 00
Party residence	1 50
Switching service	60

Gordon:

Individual business	2 50
Individual residence	1 75
Party residence	1 50
Switching service	60.

[Neb.]

Harrison:

Individual business	\$2 75
Individual residence	2 00
Switching service	60
Business extension	1 25

Rushville:

Individual business	2 75
Individual residence	2 00
Switching service	60

Valentine:

Individual business	3 25
Individual residence	2 00
Farm	2 00
Switching service	60

Whitney:

Individual business	2 75
Individual residence	2 00
Farm	2 00
Switching service	60

On business, residence and party farm service a discount from the above rates of 25 cents per month will be allowed where payment is made at the office of the exchange on or before the fifth of the month. On the rates for switching service a discount of \$1.00 will be allowed where payment is made annually in advance by the officers of the line.

All rates and rules filed in this office in conflict herewith are hereby cancelled, but all other rates and rules not in conflict herewith remain in full force and effect, subject to the condition that the revenues derived from the rates in effect at each and every of said exchanges, plus 25 per cent. of all revenue derived from applicant's toll business originating at said exchanges respectively, and all other revenues of said exchanges, shall be used and expended only as follows, to wit:

1. In defraying the costs of operating said exchange properties respectively, including taxes, insurance, losses, damages and general expenses.

2. In defraying the cost of maintaining said exchange properties, respectively, in an efficient operating condition

C. L. 86]

and of creating a reserve for unrealized depreciation, the combined amount of which shall be 9 per cent. per annum of the fixed capital invested by applicant in said properties, respectively.

3. In paying interest on applicant's floating indebtedness and dividends, not to exceed 8 per cent. upon the outstanding common stock.

4. The remainder of said local exchange revenues, if any, shall be credited to a surplus account for the purpose of paying any deficit that may arise in the discharge of any of the requirements above mentioned.

It is further ordered, That the basis of all charges to applicant's Reserve for Accrued Depreciation fund shall be the full cost of replacements made in kind, less salvage values of the property displaced. Where replacements are not made in kind the basis of charge shall be the reproduction new value of the property displaced as of the time of the purchase of the property installed; and the difference between that cost and the cost of the property installed shall be debited or credited to plant account according as the cost of the property installed shall be above or below the estimated reproduction new value of the property displaced. No other charges of any nature shall be made to said fund, and particularly, no costs incurred in the consolidation of plants or properties other than replacement costs of property constituting a part of the property owned by applicant in the first instance.

It is further ordered, That the Wyoming and Nebraska Telephone company be, and the same is hereby, authorized and directed on and after January 1, 1919, and for a period of six months thereafter, to charge to, and collect and receive from, subscribers receiving regular exchange service, rates of charge for long distance, or toll, communications in amount equal to 25 per cent. greater than the rates now on file with the Commission for such service, major fractions of one cent to be counted as a full cent in the computation. To all other users of such service the rates of charge shall be the same as to regular subscribers, with

additions in the case of charges not divisible by 5, or an amount sufficient to make such division.

It is further ordered, That the exchange and toll rates hereby superseded shall be restored and again become effective on July 1, 1919, unless otherwise ordered by the Commission prior to said date, and that jurisdiction of the instant matter be retained for all purposes within the issues thereof.

Whereas, an emergency exists, This order shall be in full force and effect on and after January 1, 1919.

Made and entered at Lincoln, Nebraska, this thirty-first day of December, 1918.

NEW HAMPSHIRE.

Public Service Commission.

In re INSTALLATION AND MOVING CHARGES AUTHORIZED BY
POSTMASTER GENERAL.

Order No. 829.

Decided December 3, 1918.

**Installation and Moving Charges Established by Postmaster General,
as Modified by Order No. 2352, Authorized on Less Than
Statutory Notice.**

ORDER.

The Postmaster General of the United States having on November 18, 1918, pursuant to authority vested in him by the President of the United States in his proclamation of July 22, 1918, issued Order No. 2352, modifying Order No. 1931, issued by the Postmaster General on August 28, 1918, and it appearing that said Order No. 2352 prescribes certain installation and moving charges for all telephone companies operating under Federal control, which said charges are in all respects reductions to similar rates and charges provided for by said Order No. 1931, and authorized* by this Commission to be placed in effect one day after filing with this Commission, and that therefore it is desirable and in the public interest that the rates provided for in said Order No. 2352 shall become effective on less than statutory notice,

It is ordered, That all telephone companies operated under Federal control, within said State, be, and hereby are, authorized to put in force one day after filing with this Commission the rates and charges provided for in Order No. 2352 of the Postmaster General of the United States, dated November 18, 1918.

By order of the Public Service Commission this third day of December, 1918.

* See Commission Leaflet No. 83, p. 1646.

NEW JERSEY.

Board of Public Utility Commissioners.

In re PETITION OF DELAWARE AND ATLANTIC TELEGRAPH AND
TELEPHONE COMPANY AND NORTH JERSEY TELEPHONE
COMPANY FOR APPROVAL OF A LEASE.

Decided December 3, 1918.

Petition to Approve Lease of Telephone Plant Denied.

The Delaware and Atlantic Telegraph and Telephone Company and North Jersey Telephone Company sought approval of a lease of the former's plant to the latter for a period of twenty-five years, at a rental of \$2,175 per annum for the first five years and thereafter \$2,610 per annum, lessee to pay all taxes, maintain the property and make necessary changes, modifications, additions or replacements, etc.

Held: That as the value claimed of \$43,500 was based on unit prices considerably in excess of those used in the 1912 appraisal of the property, and in excess of unit prices used in the same territory within the period 1912 to 1918 in other appraisals, and as the Commission had approved transfers of property during the past year by the New Jersey Telephone Company and New York Telephone Company at lower figures than those given in the appraisal, the appraised value was greater than the true value of the property, the proposed rental to be paid on such a value would be excessive and would be reflected in the rates, and the lease would, therefore, not be approved.

REPORT.

On September 14, 1918, the Delaware and Atlantic Telegraph and Telephone Company and the North Jersey Telephone Company, both corporations of this State, filed a petition alleging that the Delaware and Atlantic Telegraph and Telephone Company was the owner of, and operated a certain telephone plant which furnished telephone service to certain subscribers in the counties of Warren, Hunterdon and Morris; that the North Jersey Telephone Company was authorized by law to engage in the business of furnishing telephone service throughout the State of New Jersey, and more particularly, to furnish telephone service in the counties of Warren, Hunterdon and Morris; that for

C. L. 86]

their mutual advantage, and for the purpose of avoiding duplication of telephone service, and for the more economic telephonic operation of the territory involved, they entered into an agreement on September 11, 1918, whereby the Delaware and Atlantic Telegraph and Telephone Company leased to the North Jersey Telephone Company certain of its telephone exchanges and toll plants, and assigned all of its subscribers' contracts and certain other contracts in certain territories in said counties, under the terms and conditions more particularly and at length set forth in said agreement.

The petition requests the approval of said agreement.

Hearings were held September 25 and October 2, 1918. The agreement referred to was offered in evidence. It provides for the leasing, by the Delaware and Atlantic Telegraph and Telephone Company to the North Jersey Telephone Company, [of] all of its poles, cross-arms, brackets, insulators, aerial wires and cables, including terminals and other appurtenances, conduits, manholes, underground cables, outside and inside fixtures and wiring on subscribers' premises, subscribers' station apparatus, (excepting transmitters and receivers), central office and private branch exchange, switchboards and equipment, and all associated telephone apparatus and appliances of the lessor company in the territory designated, from which, however, it excepts certain pole lines and private branch exchanges therein referred to.

The rental provided for is \$2,175 a year during the first five years, and thereafter at the rate of \$2,610 a year, as well as all taxes thereafter levied and assessed upon said property; the lessee to maintain the property and pole lines, make all changes, modifications, additions, or replacements to the property during the term of the lease, which is twenty-five years. The lessor company also assigns, by the lease, all contracts made by lessor with the subscribers in the territory, as well as certain other contracts specifically referred to. The lease contains provisions for the restoration and return of the property to the lessor,

with all additions and replacements made to it by the lessee, under the conditions provided in the lease upon default of any of the terms and conditions thereof.

The value of the property, as of the date of the agreement or lease, is claimed to be \$43,500.

The lease contains these paragraphs as to value:

"If the value of said property upon the termination of this agreement under any of the provisions hereof, calculated at the unit value used to obtain its value at the date of leasing, is less than the value thereof on the date of this agreement, then lessee shall pay to lessor the difference in the value of said property on said dates.

If the value of said property upon the termination of this agreement under any of the provisions hereof, calculated at a no lower unit value than that used to obtain its value at the date of leasing up to the amount of \$43,500 is more than the value thereof on the date of this agreement, then lessor shall pay to lessee the difference in the value of said property on said dates.

If the parties hereto shall be unable to agree upon the value of said property on the date of the termination of this agreement, the matter in dispute shall be referred to arbitration; one arbitrator to be chosen by lessor, one by lessee, and a third by the two so chosen. The decision of said arbitrators, or that of a majority of them, shall be final and conclusive. The expense of such arbitration shall be borne equally by the parties hereto."

Mr. Smith, president of the North Jersey Telephone Company, opened the hearing as follows:

"*Mr. Smith.* This is an application for the ratification of a lease between the Delaware and Atlantic Telegraph and Telephone Company and the North Jersey Telephone Company for the property of the Washington exchange in Warren County and with other lines running from the exchange to Flemington and to Hackettstown and a private branch exchange operating in Highbridge. It is a part, in fact it is the first part, central part and key, of the whole program started a couple of years ago to consolidate the small companies operating in Hunterdon and Warren Counties. We worked on that program off and on ever since, until a year ago last November, or December—December it was—when we came before your Board, on behalf of the North Jersey Telephone Company, and got your consent to issue \$3,000 worth of organization stock. Up to that time it lay dormant.

That was pressed quite vigorously until up to the beginning of the war; after which, for some reason or other, I don't know why, we didn't proceed at all. Later on the work was taken up.

We have progressed as far as getting an inventory and appraisal of all of the companies operating in Hunterdon and Warren Counties, with the exception of two, and some other small companies, and agreements, tentative agreements, were entered into with all except three. Some of them, however, one of them particularly, we found it necessary at the last minute to revise, so we won't be quite ready on behalf of those companies to present an application for lease or for purchase. But other companies will be coming in from time to time in the course of the next month to present petitions, five or six companies besides this one.

Commissioner Slocum. Why wouldn't it be better to present all your petitions and that they be heard at one time?

Mr. Smith. This is the key, the most important one, and we find it very desirable to have the action of this Board on this petition, we think, before we press the others; for several reasons, which we would be very glad to go into at length if you think desirable.

Commissioner Slocum. There are several very good reasons why they should be considered at the same time. Here you are having an inventory and appraisal made of this property at higher unit costs and the result will be a higher charge to the telephone takers.

Mr. Smith. No. I think you will find this is at a higher unit cost of appraisal than any of the properties we have taken over, but this is necessary for several reasons; it is the center of our operating units; it is the hub of our wheel, so to speak. The property being bought from a company in which the construction charges were higher, and the cost of construction higher than any other company we will be doing business with, or most any, there may be one other, we will have to pay the unit costs we have to pay in this case.

Commissioner Slocum. Yes; but the Delaware and Atlantic leases this property, and the rentals you propose paying the Delaware and Atlantic would involve a higher telephone charge to be collected. We ought not to be in any hurry to establish new companies to collect higher toll.

Mr. Smith. Well, I think that is an assumption so far, that it would involve higher telephone charges. As far as we have shown it is [not? — Ed.] true.

Commissioner Slocum. It is true. The whole examination of your papers show that.

Mr. Smith. Higher telephone charges are probably indicated in all cases. There will be, eventually, rate cases that will come before you for the entire unit when the thing is started. That is one thing we desire to get moving right away. We desire to get the operation of this first unit started, and we can't get it started until this hub is created. It works all around this particular Delaware and Atlantic property."

The engineer of appraisals of the Delaware and Atlantic Telegraph and Telephone Company testified that the

appraisal, upon which the value was stated of the properties leased and specified in the agreement, was made under his supervision. He presented exhibits showing the unit costs which had been applied to the different elements of property. The engineer is also engineer for the Bell Telephone Company of Pennsylvania, and the Central District and Diamond State Telephone Company. Cross-examination as to the unit prices used by him in other appraisals, in the same territory, within the period 1912-1918, and a comparison of the unit prices used by him in other appraisals, indicated clearly that the unit prices used generally, in the present appraisal, and particularly applied to the larger element of property, were higher than those used by him in other cases.

It has not been possible to check up all of the prices listed, but an inspection of the same indicates that they are considerably in excess of the unit prices used in the 1912 appraisal of the property of the Delaware and Atlantic Telegraph and Telephone Company; and also, that they are very much in excess of the prices which must have been used by the same company in arriving at the value of various parcels of property, which it had heretofore sold or leased to various smaller companies operating in the same or adjacent territory in this State. Certain transfers of property to the New Jersey Telephone Company by the New York Telephone Company, and from the New Jersey Telephone Company to the New York Telephone Company, which were approved by us during the past year, were also at much lower figures than those given in the appraisal presented. The prices are considerably higher than any values that have been indicated in various proceedings involving independent companies operating in the general location of this territory.

It therefore appears that the appraised value of the properties leased is greater than the true value of the property. The proposed rental to be paid on such a value would be excessive, and would consequently reflect in the rates to be charged by the North Jersey Telephone Company.

C. L. 86]

The Board has no objection to the general plan of the North Jersey Telephone Company to take over and operate a number of existing independent companies in this territory. Such a plan, when carried out, will result in more economic and efficient telephone service in the territory, but it is important that in taking over the properties either by purchase or lease, the values of the properties taken, and the terms upon which the same are taken, shall not be such as will hereafter reflect in the rates to an extent that they will increase them to an unreasonable degree. For these reasons we withhold our approval of the lease.

Dated December 3, 1918.

NEW YORK.

Public Service Commission.— Second District.

EUGENE COHN v. NEW YORK TELEPHONE COMPANY.

Case No. 6484.

Decided December 12, 1918.

**Adoption of Written Rule that Service Should not be Cut Off Pending
Suit on Disputed Bill, Not Ordered.**

OPINION AND ORDER.

Eugene Cohn complained to this Commission alleging that he is charged for more local telephone calls than he uses at his office No. 32 Broadway, New York City; that he desires to litigate the matter but that the company threatens to cut off the service unless he pays its bills. A public hearing on this complaint, after answer by the company, was held by Chairman Hill of this Commission in New York City on November 11, 1918, at which those named above appeared. Complainant reiterated that the object of his complaint was in the public interest, that the company should, where good faith is shown, be forbidden to cut off telephone service in the case of non-paid disputed bills, where the subscriber notifies it he intends to litigate the matter in the courts. At this hearing Mr. Burns for the company stated

"All we ask the subscriber is to let us know what he intends to do. If the subscriber lets us know that he intends to bring suit, or wants to bring suit and that he wants the allowance made, he gets it as a matter of right, not as of grace from us; he gets it as a matter of right."

This statement, as shown by the balance of the record, refers to the company not cutting off service pending suit on disputed bills, and it seemed to be satisfactory to complainant; as it also applies to any other subscriber, the Commission does not feel justified, at least on its present

knowledge, in ordering the company to embody it in a written rule.

For these reasons,

It is ordered, That this case is hereby closed on the records of the Commission.

December 12, 1918.

THE EXPORT CORPORATION, LTD. v. NEW YORK TELEPHONE
COMPANY.

Case No. 6533.

Decided December 12, 1918.

Complaint as to Overcharges for Local Measured Service Due to Company's Method of Crediting Wrong Calls, Dismissed.

OPINION AND ORDER.

The Export Corporation, Ltd. of New York City, complained to this Commission, alleging that complainant is charged for more local telephone calls than it uses at its office No. 29 Broadway, New York City; and alleging the belief that the overcharges are due to the company's method of keeping track of wrong number calls; that these overcharges will average 10 per cent. of complainant's total monthly calls. Public hearings on this complaint, after answer by the company, were held by Chairman Hill of this Commission in New York City on November 11 and 25, 1918, at which those named above appeared.

It appears that the complaint is really in the nature of a suggestion or demand that the telephone company can improve its service by installing a push button to record the credits just as they are at present resorting to a push button to charge the calls.

It appears that the practice of the telephone company in charging to the calling customer his telephone calls on measured rate is to record the call after the communication has been consummated. If after that is done it turns out

that the wrong number has been given or that for any other reason an improper charge has been made, the operator credits the call back to the customer by writing with a pencil a credit slip, which passes in due course to the accounting officer, and the complainant insists that a mechanical credit system would be more reliable than the present manual system.

It appears in the previous cases of *Ostro v. New York Telephone Company** (Opinion No. 236), and *Tracey v. New York Telephone Company*† (Opinion No. 317), that exhaustive investigations have been made by the Commission on the subject of the accuracy attained in the practice by the telephone company in recording measured calls, and the Commission has satisfied itself that the errors do not exceed between 1 and 2 per cent. It should be borne in mind that these errors are not necessarily on the average all against the customer. It does not appear that the suggested alteration in method has ever been in use or that any one has invented such a method. The officials of the telephone company state that such a change would cost for the New York City system \$10,000,000. It is clear that there is no system possible by which the personal equation would be entirely eliminated from the registering of these calls, and in view of what we may consider the established fact that the errors are less than 2 per cent., and even if we consider that the estimate of \$10,000,000 for making the suggested change is extravagant, the Commission does not feel justified in making such an order to the telephone company.

For these reasons,

It is ordered, That this complaint is hereby dismissed.

December 12, 1918.

* See Commission Leaflet No. 50, p. 640.

† See Commission Leaflet No. 70, p. 949.

OHIO.

The Public Utilities Commission.

In re JOINT APPLICATION OF THE CENTRAL DISTRICT TELEPHONE COMPANY AND THE CAMBRIDGE HOME TELEPHONE COMPANY FOR APPROVAL OF AN AGREEMENT FOR THE SALE OF PROPERTY AND AN AGREEMENT PROVIDING FOR THE INTERCHANGE OF TRAFFIC.

No. 1104.

Decided November 26, 1918.

Increase in Rate for Business Extension Service with a Prompt Payment Discount, Authorized.

MODIFICATION OF ORDER.

The Commission having heretofore, to-wit, as of date March 27, 1918, in consenting to and authorizing* the sale to The Cambridge Home Telephone Company of the exchange property of The Central District Telephone Company in and about the city of Cambridge, Ohio, found and determined, and fixed and prescribed reasonable rates, to be maintained as maximum rates for the furnishing of telephone service in the exchange area of Cambridge, Ohio, upon and following the unification of the telephone properties in said city and the operation thereof under the sole ownership and management of said The Cambridge Home Telephone Company, among which said maximum rates was a rate for extension service, business, per month, gross, \$1.00;

Comes now said The Cambridge Home Telephone Company, and by supplemental application filed herein, represents and shows to the satisfaction of the Commission that said finding and order should be so modified and amended to substitute a rate of \$1.25, gross, with a discount of 25

* See Commission Leaflet No. 77, p. 1139.

cents per month, under the conditions heretofore prescribed, for said rate of \$1.00, gross, per month, for extension service, business.

It is, therefore, ordered, That the finding and order,* made and entered herein as of date, March 27, 1918, be, and hereby it is, modified and amended to substitute in the schedule of reasonable maximum charges therein found and determined and fixed and prescribed for the furnishing of telephonic service in the exchange area of Cambridge, Ohio, under the sole ownership and management of said The Cambridge Home Telephone Company, a rate of \$1.25, gross, per month, (subject to a discount, under the conditions prescribed, of 25 cents per month) for the rate of \$1.00, gross, per month, for extension business service.

Dated at Columbus, Ohio, this twenty-sixth day of November, 1918.

In re APPLICATION OF DAVID R. FORGAN *et al.*, AS RECEIVERS OF CENTRAL UNION TELEPHONE COMPANY, FOR LEAVE TO ACCEPT AND HOLD CERTAIN STOCK OF THE FREMONT HOME TELEPHONE COMPANY AND TO PURCHASE AND HOLD CERTAIN OTHER STOCK.

No. 1553.

Decided November 26, 1918.

Authority to Hold Stock Acquired by Purchase, and by Pro Rata Distribution, Granted.

OPINION AND ORDER.

David R. Forgan, Edgar S. Bloom and Frank F. Fowle, the duly appointed, qualified and acting Receivers of Central Union Telephone Company, having heretofore filed an application asking the consent to and approval, by this Commission, of their acceptance and holding, as such Receivers, of \$6,250, par value, of the \$18,750 common

* See Commission Leaflet No. 77, p. 1139.

C. L. 86].

capital stock of The Fremont Home Telephone Company to be distributed, under authority of the order* made and entered as of date September 23, 1918, in Cause No. 1486, pro rata among the stockholders, of record on June 28, 1918, of said company, and, also, of their purchase and holding of the common stock of said The Fremont Home Telephone Company of the additional par value of \$6,250, the issue and sale of which was duly consented to and approved by said order* in proceeding No. 1486; and the Commission having, upon the filing of said application, deemed the assignment of the same for hearing to be unnecessary, said matter came on this day for final consideration.

The Commission, being fully advised in the premises, finds:

That the service furnished the public will be improved by such acquisition and holding of the capital stock of The Fremont Home Telephone Company by the Receivers of Central Union Telephone Company, and the public will thereby be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor,

and is satisfied that its consent and authority for such acquisition and holding of said capital stock should be granted.

It is, therefore, ordered, That the said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, be, and hereby they are, authorized to accept and hold \$6,250, par value, of the common capital stock of The Fremont Home Telephone Company being the pro rata portion of a total of \$18,750, such common capital stock to be distributed to the stockholders of said company under authority of the order* made and entered, as of date September 23, 1918, in proceeding No. 1486, which said applicants, as the owners of shares of capital stock of said The Fremont Home Telephone Company, are entitled to receive; and that the said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, be,

* See Commission Leaflet No. 83, p. 1653.

and hereby they are, further authorized to purchase and hold the additional common capital stock of the par value of \$6,250 which said The Fremont Home Telephone Company will sell under the further authority granted by said order* in proceeding No. 1486.

It is further ordered, That the finding hereinbefore set forth as to service shall not be binding upon this Commission in any future proceeding involving the subject of telephone service within the territory served by The Fremont Home Telephone Company.

Dated at Columbus, Ohio, this twenty-sixth day of November, 1918.

In re JOINT PETITION FOR THE APPROVAL OF AGREEMENT FOR CONSOLIDATION UNDER THE NAME OF THE OHIO STATE TELEPHONE COMPANY OF THE UNITED STATES TELEPHONE COMPANY, AND FOURTEEN OTHER COMPANIES.

No. 288.

Decided December 1, 1918.

Increase in Rates Authorized — 4 Per Cent. Fixed for Reserve for Depreciation.

OPINION AND ORDER.

This first day of December, 1918, the Commission having under consideration the application of The Ohio State Telephone Company for such modification and amendment of the order, made and entered herein as of date July 23, 1914, insofar as it fixed and prescribed as maximum rates for the furnishing of telephonic service by said The Ohio State Telephone Company in the city of Toledo, Ohio, the then effective rates of The Toledo Home Telephone Company, as will permit and authorize said The Ohio State Telephone Company to establish, in lieu of said rates so fixed by said order, the rates set forth in the schedule† appended to said application and marked for identification

* See Commission Leaflet No. 83, p. 1653.

† Schedule omitted.

C. L. 86]

P. U. C. O. No. 1, Original Sheets Nos. 1, 2, 3 and 4; and, also, the report of the telephone expert of this Commission, and the appraisal by the telephone department of the property of said The Ohio State Telephone Company, used and useful for the convenience of the public in the furnishing of telephonic service in the exchange area of Toledo, Ohio, and the evidence heretofore submitted upon the hearing of this matter, finds:

That, taking into consideration the value of said property, the cost of furnishing the service, and the necessary amounts which should be set aside for depreciation and contingencies, the rates for furnishing telephonic service in the exchange area of Toledo, Ohio, set forth in said schedule,* identified as aforesaid and appended to the instant application herein, are not unjust, unreasonable nor excessive, and will not yield a rate of return greater than said The Ohio State Telephone Company is entitled to earn upon its property so devoted to the service of the public in said exchange area of Toledo, Ohio.

The Commission further finds that a charge of 4 per centum of the value of said property, per annum, for deferred up-keep or depreciation, will be necessary to provide for the future restoration of said property, and has taken said item into consideration in its findings herein.

It is, therefore, ordered, That the order made and entered herein on the twenty-third day of July, 1914, be, and hereby it is, modified and amended to permit and authorize The Ohio State Telephone Company to establish, maintain, impose and collect for the furnishing of telephonic service in the exchange area of Toledo, Ohio, from and after this first day of December, 1918, the rates, tolls, charges and rentals set forth in said schedule marked and identified as P. U. C. O. No. 1, Original Sheets Nos. 1, 2, 3 and 4, instead and in lieu of the rates, tolls, charges and rentals so fixed and prescribed by said order of July 23, 1914.

It is further ordered, That said The Ohio State Telephone Company forthwith establish and hereafter main-

* Schedule omitted.

tain a depreciation reserve account for its said Toledo exchange property, paying into the same an amount annually, equal to 4 per centum of the value of said property, all as provided by Sections 614-49 and 614-50, General Code of Ohio.

And the Commission further finds that the appraisal made in this investigation should proceed to a final determination as a basis for computing depreciation charges and for such other and further proceedings as may hereafter be lawfully had in this matter, and for that purpose, and upon its own initiative, finds the value of the several classes and kinds of property, and of the property as a whole, of The Ohio State Telephone Company, used and useful for the convenience of the public in the furnishing of telephonic service in the exchange area of Toledo, Ohio, as of April 1, 1918, to be as set forth in the following summary, namely:*

It is, therefore, ordered, That notice of such valuation so placed upon the said property of The Ohio State Telephone Company, be transmitted, by registered letter, to said company and to the mayor of the city of Toledo, Ohio; all as provided for under Section 492-12 of the General Code of Ohio.

It is further ordered, That all inventories, valuations, transcripts and exhibits be filed and considered as a part of the record herein.

It is further ordered, That the Commission reserves the right, in the event it shall determine the aforesaid inventory to be incomplete and inaccurate, or that said valuation is incorrect, to make such changes therein as may be necessary before said tentative valuation shall become final.

Dated at Columbus, Ohio, this first day of December, 1918.

* Summary omitted. The summary gives \$3,436,569.98 as the reproduction value and \$3,089,587.09 as the present value, allowing in the reproduction value \$672,430.16 for overhead and \$106,313.07 for working capital and supplies, and allowing the same amounts in the present value less \$60,853.60 depreciation of overhead.

In re APPLICATION OF THE OHIO STATE TELEPHONE COMPANY FOR AUTHORITY TO ISSUE AND SELL ITS CONVERTIBLE GOLD NOTES.

No. 1559.

Decided December 2, 1918.

Issue, by Domestic Corporation, of Four-year 7 Per Cent. Notes at 95 Authorized — Issue of 7 Per Cent. Preferred Stock at Par, and Thirty-five Year 5 Per Cent. Bonds at 92½ in Exchange for Notes, Authorized — Discount Ordered Amortized.

OPINION AND ORDER.

This day, after due notice to all parties in interest, this matter came on to be heard upon the application of The Ohio State Telephone Company, (a corporation organized and existing under the laws of Ohio), asking the consent and authority of this Commission, primarily, to issue and sell \$1,300,000, principal sum, of four-year, 7 per cent. convertible gold notes, the proceeds thereof to be used, (a) to pay and discharge \$200,000, principal amount, of 6 per cent. mortgage bonds of The Youngstown Telephone Company (one of the companies consolidated as The Ohio State Telephone Company), falling due September 1, 1919, the payment of which was guaranteed by applicant at the time of such consolidation, and (b) to pay, in part, applicant's indebtedness, incurred between the dates July 23, 1914, and August 1, 1918, for and on account of the extension and improvement of its facilities; and, secondarily, asking consent to provide for the conversion of such notes by issuing \$1,300,000 of 7 per cent. preferred capital stock and not exceeding \$1,406,000 refunding and consolidated mortgage, thirty-year, 5 per cent. bonds, dated July 1, 1914, the holders and owners of said notes possessing the option to convert the same, at par, into said preferred stock at any time after January 1, 1921, and not later than the maturity date of the notes, or, on a basis of 92½ for said bonds and par for the notes, into applicant's said refunding and consoli-

dated mortgage bonds at any time after July 1, 1922, and not later than the maturity date of said notes.

The Commission, being fully advised in the premises, finds:

1. That \$200,000, principal sum, of mortgage bonds of The Youngstown Telephone Company, the payment of which was guaranteed by the applicant, mature September 1, 1919, and, on said date, must be paid and discharged, or refunded.

2. That, within the period, July 23, 1914, to August 1, 1918, the applicant actually incurred an indebtedness, for and on account of the construction, completion, extensions and improvement of its facilities, in the amount of \$2,167,675.73.

3. That the issue of applicant's said convertible notes is reasonably required, and the money to be procured thereby necessary for the payment and discharge or refunding and readjustment of applicant's afore-said lawful indebtedness.

4. That the applicant, now having a bonded indebtedness outstanding in excess of its outstanding capital stock, the issue of said notes in excess of its outstanding capital stock, and the expenditure of the proceeds thereof should be specifically consented to, authorized and approved.

5. That, for the readjustment and reorganization of applicant's indebtedness, represented by said notes, the issue of all or a part of \$1,300,000 par value, of preferred capital stock, and all or a part of \$1,406,000 principal sum, of its refunding and consolidated mortgage bonds, as the holders and owners of said notes may exercise their options for conversion, also is reasonably required and necessary.

and is satisfied that consent and authority for the issue and disposition of said notes, preferred capital stock and bonds should be granted.

It is, therefore, ordered, That said The Ohio State Telephone Company be, and hereby it is, authorized to issue its four-year, 7 per cent. convertible gold notes of the principal sum of \$1,300,000, and that said notes be sold for the highest price obtainable but for not less than 95 per cent. of the par value thereof.

It is further ordered, That any discount arising from the sale of said notes be amortized pursuant to the rules and regulations heretofore prescribed by this Commission.

It is further ordered, That the proceeds arising from the sale of said notes be used (1) to pay and discharge the

C. L. 86]

\$200,000, principal sum, of 6 per cent. mortgage bonds of The Youngstown Telephone Company, the payment of which was guaranteed by the applicant, and (2) applied toward the payment and discharge of applicant's indebtedness in the sum of \$2,167,675.73, incurred for and on account of the construction, completion, extension and improvement of its facilities between the dates July 23, 1914, and August 1, 1918, as more fully set forth in the detailed statement, marked Exhibit A, appended to the application herein, which hereby is made a part of this order by reference, and used for no other purpose whatsoever.

It is further ordered, That the issue of said notes in excess of applicant's outstanding capital stock, and the expenditure of the proceeds of such excess, as hereinbefore prescribed, be, and hereby they are, specifically consented to, authorized and approved.

It is further ordered, That, forthwith upon the payment of any of said bonds of The Youngstown Telephone Company, the same be rendered non-negotiable and, upon the payment of the whole thereof, cancelled and destroyed.

It is further ordered, That said The Ohio State Telephone Company be, and hereby it is, further authorized to issue, for the purposes and in the manner hereinafter prescribed, its 7 per cent. preferred capital stock of the total par value of \$1,300,000 and not exceeding \$1,406,000 principal sum, of its refunding and consolidated mortgage, thirty-year, 5 per cent. bonds, dated July 1, 1914.

It is further ordered, That said preferred stock be held in the treasury for exchange, at par, for applicant's aforesaid notes, when and as the same may be presented for such conversion by the holders or owners thereof under the option provided therein, and that said bonds be deposited with the trustee for exchange, upon the basis of 92½ for such bonds and par for the notes, when and as the same may be presented for such conversion by the holders or owners thereof under the alternative option provided therein: *provided* that all authority granted in the next preceding section of this order which shall not have been

exercised on or before the first day of January, 1923, shall thereupon forthwith expire.

It is further ordered, That the discount arising from the issue of any of said bonds at the discount hereinbefore provided, shall be amortized pursuant to the rules and regulations heretofore prescribed by this Commission.

It is further ordered, That, forthwith upon the conversion of any of said notes, as hereinbefore provided, the same shall be cancelled.

It is further ordered, That the applicant make verified report to this Commission quarterly, (1) of the issue of notes, preferred stock and bonds under the authority herein granted, (2) the expenditure of the proceeds of said notes, (3) the status of said preferred stock and bonds as held for conversion purposes, (4) the amount of notes converted and the preferred stock or bonds issued in lieu thereof, (5) the cancellation of such notes so converted, and (6) at the maturity of said notes, the status of the preferred stock and bonds not used for such conversion, that the unexercised authority herein granted may then be rescinded.

Dated at Columbus, Ohio, this second day of December, 1918.

In re RESOLUTION OF THE CITY OF CLEVELAND REQUESTING THE COMMISSION TO APPRAISE THE PROPERTY OF THE CLEVELAND TELEPHONE COMPANY AND THE PROPERTY OF THE CUYAHOGA TELEPHONE COMPANY.

No. 194.

Decided December 7, 1918.

Tentative Valuation Made Final by Commission.

ORDER.

The Commission having heretofore completed the valuation of The Cuyahoga Telephone Company, now the Cleve-

C. L. 86]

land division of The Ohio State Telephone Company, and notice of the valuation placed upon the several kinds and classes of property, and the property as a whole, of said The Ohio State Telephone Company (Cleveland division), as of April 1, 1914, used and useful for the convenience of the public in the furnishing of telephonic service in the city of Cleveland and in the county of Cuyahoga, State of Ohio, having, on the twenty-first day of May, 1917, been given to said The Ohio State Telephone Company and the city of Cleveland, Ohio, by registered letter, as required by law, and protest against said valuation having been filed by the city of Cleveland and The Ohio State Telephone Company, and full hearing being duly had thereon, and the definite purpose for which said appraisal was requested not appearing in the resolution of [the] Council or in the record, the Commission, being fully advised in the premises, finds that sufficient grounds have not been made to appear for any change in or modification or amendment of said tentative valuation.

It is, therefore, ordered, That the valuation of the several kinds and classes of property, and of the property as a whole, of said The Cuyahoga Telephone Company, now The Ohio State Telephone Company (Cleveland division), as of April 1, 1914, used and useful for the convenience of the public in the furnishing of telephonic service in the city of Cleveland and in the county of Cuyahoga, State of Ohio, as fixed and determined by the order made and entered herein on the twenty-first day of May, 1917, be, and hereby it is, made final.

Dated at Columbus, Ohio, this seventh day of December, 1918.

In re APPLICATION OF AMERICAN TELEPHONE AND TELEGRAPH
COMPANY FOR AUTHORITY TO PURCHASE STOCK OF THE
LIMA TELEPHONE AND TELEGRAPH COMPANY.

No. 1569.

Decided December 20, 1918.

Purchase of Common and Preferred Capital Stock of Domestic Corporation by Foreign Corporation, Authorized.

ORDER.

This day, after due notice to all parties in interest, this matter came on to be heard upon the application of American Telephone and Telegraph Company, (a corporation organized and existing under the laws of the State of New York) asking for the consent and approval of this Commission for the purchase, (1) at this time of 97 shares each of the common and preferred capital stocks of The Lima Telephone and Telegraph Company (a corporation organized and existing under the laws of Ohio), being a part of the stocks of said The Lima Telephone and Telegraph Company, the issue of which was duly consented to and authorized by the order, made and entered, as of date September 21, 1917, in proceeding No. 1268,* and (2) hereafter, as a stockholder of said The Lima Telephone and Telegraph Company, to purchase, from time to time, as the issue of additional capital stock by said The Lima Telephone and Telegraph Company may be authorized, applicant's pro rata share thereof.

The Commission, being fully advised in the premises, finds that the convenience of the public will be promoted by, and that the public will be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, upon the acquisition of said 97 shares each of the preferred and common capital stocks of said The Lima Telephone and Telegraph Company by the applicant herein and that the prayer of this petition, insofar as it asks consent and authority therefor, should be granted.

* See Commission Leaflet No. 71, p. 1160.

C. L. 86]

It is, therefore, ordered, That the said American Telephone and Telegraph Company be, and hereby it is, authorized to acquire, by purchase at par, 97 shares of the 6 per cent. preferred capital stock and 97 shares of the common capital stock of The Lima Telephone and Telegraph Company.

It is further ordered, That as to all other matters, said application be, and hereby it is, denied.

Dated at Columbus, Ohio, this twentieth day of December, 1918.

In re APPLICATION OF DAVID R. FORGAN *et al.*, RECEIVERS OF
CENTRAL UNION TELEPHONE COMPANY FOR LEAVE TO
PURCHASE AND HOLD COMMON CAPITAL STOCK OF THE
MOUNT VERNON TELEPHONE COMPANY.

No. 1587.

Decided December 30, 1918.

**Purchase of Stock of Domestic Corporation by Receivers of Foreign
Corporation Authorized.**

OPINION AND ORDER.

David R. Forgan, Edgar S. Bloom and Frank F. Fowle, the duly appointed, qualified and acting Receivers of Central Union Telephone Company, having heretofore filed their application asking the consent to and approval, by this Commission, of their purchase and holding of \$4,300, par value, of the common capital stock of The Mount Vernon Telephone Company, (the issue and sale of which stock, by said The Mount Vernon Telephone Company, was duly authorized by order, made and entered in proceeding No. 1477),* and the Commission having, upon the filing of said application, deemed the assignment of the same for hearing to be unnecessary, said matter came on this day for final consideration.

The Commission, being fully advised in the premises,

* See Commission Leaflet No. 82, p. 1426.

finds that the public will thereby be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, and is satisfied that its consent and authority for the purchase and holding of said capital stock by the applicants should be granted,

It is, therefore, ordered, That the said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company, be, and hereby they are, authorized to purchase and thereafter hold \$4,300, par value, of the common capital stock of The Mount Vernon Telephone Company, the same being a part of the \$33,900, par value, of common capital stock authorized to be issued and sold by said The Mount Vernon Telephone Company under the authority granted by the order, made and entered as of date August 6, 1918, in proceeding No. 1477.*

It is further ordered, That the findings hereinbefore set forth as to the service furnished by the applicants and said The Mount Vernon Telephone Company shall not be binding upon this Commission in any future proceeding involving such subject.

Dated at Columbus, Ohio, this thirtieth day of December, 1918.

* See Commission Leaflet No. 82, p. 1426.

OREGON.

Public Service Commission.

In re APPLICATION OF NEHALEM TELEPHONE AND TELEGRAPH
COMPANY FOR AUTHORITY TO INCREASE RATES.

U-F-226 — Order No. 463.

Decided November 19, 1918.

**Increase in Business and Residence Party Line Rates Authorized —
Obligation to Extend Service to New Subscribers Considered —
Same Rate for Business and Residence Service Considered Dis-
criminatory — Payment of Rental to Subscribers Owning
Instruments Ordered.**

Applicant, which had 47 subscribers and 41 switched subscribers, sought authority to increase its business and residence party line rates from \$1.50 to \$2.00 per month. Applicant was organized in 1910 and as all of its subscribers were stockholders the development of the rates passed from free service to a 5-cent switching charge, then to \$1.00 per month and from that to the present rate. At no time had revenue been sufficient to provide stable operation. At the time of the application present rates yielded a monthly income of \$90.00. Since that time several subscribers refused to continue service under the possibility of increased rates, but the revenue from foreign line switching service was at the same time increased by the agreement of those lines to advance their rates from 50 cents to \$1.00 per subscriber, per month, and under these changed conditions revenues were \$103 per month. Taxes have been unpaid for a long period and the lines of the company are in a dilapidated condition. The manager had also made advances from his personal funds for stationery and supplies and for heat.

Held: That it was obvious, without making a valuation of the property, that present rates were insufficient to pay reasonable expenses and maintain the lines in workable condition, and an increase in rates should be authorized;

That while it might be the responsibility of a utility occupying a particular field to supply all applicants for service therein when the demand was reasonable, it was primarily important that the service to existing customers should be protected against any unreasonable requirements that might arise from new business, and under the particular circumstances the company would be justified in insisting upon a reasonable

[Ore.]

agreement with customers making such unusual demands for the construction of lines, and for such other assistance in the provision of additional equipment as might be found necessary;

That as applicant had made no distinction in its rates for residence and business service and as without such a distinction unjust discrimination was certain, a residence rate of \$2.00 per month and a business rate of \$2.50 per month would be authorized;

That the company should pay a reasonable rental to subscribers privately owning their own instruments, as not to do so would be contrary to the provisions of the law which denied the utility the privilege of requiring the ownership of facilities by the customer.

FINDINGS AND ORDER.

The application of the Nehalem Telephone and Telegraph Company for an increase in its party line rates from \$1.50 to \$2.00 per month came on regularly for hearing before the Commission on August 23, 1918, at the city hall of Nehalem, Oregon, with the following appearances entered: for the applicant, *Walter J. Meade*, secretary-treasurer.

No official appearance was made by the city or by any organization of the applicant's patrons, but a considerable representation of interested individuals was present and participated in the proceedings.

From the record it is found that the applicant is a corporation organized in 1910, and existing by virtue of the laws of Oregon, and is engaged in the ownership, management, control and operation of a telephone exchange at Nehalem and a system of wires radiating therefrom for the transfer and conveyance of telephone messages generally. In such occupation the Nehalem Telephone and Telegraph Company is a public utility subject to the jurisdiction of this Commission and the statutory provisions of the State of Oregon.

This company seems to have been organized to promote and maintain more effective means of commercial and social intercommunication between the inhabitants of Nehalem and adjacent territory. It appears that until some time after 1911, all subscribers to the service of the Nehalem

C. L. 86]

Telephone and Telegraph Company were stockholders, and that the development of the rates from that date passed through successive stages from free service to a 5-cent switching charge, then to \$1.00 per month, and from that to the present rate. These various modifications were made from time to time as found necessary on account of mounting expenses and it is apparent from the testimony of parties who have been connected with the company from the beginning, that at no time has the revenue been sufficient to provide stable operation.

On the date of hearing the applicant was serving a total of 83 stations, 43 of which were upon foreign lines not owned by it. Of the two foreign lines connected and receiving switch service through the applicant's exchange, one is operated in the town of Nehalem and vicinity, and the other principally in the town of Wheeler, the latter being owned by Walter J. Meade, who is also secretary of the applicant company and manager of its business.

In addition to the local exchange service offered through the applicant's exchange, there is also a connection with the toll lines of The Pacific Telephone and Telegraph Company, maintained and operated by Mr. Meade, under a private contract with that company. This long distance business has brought no revenue to the applicant, the commissions obtained from it going directly to the manager, and considered by him as a portion of the compensation he should receive for his services. The amount actually obtained from this source, together with such other compensation as has been received by him, is not more than should be expected for such service as is rendered.

In its petition the applicant submitted the following as its monthly revenues:

Forty-seven company subscribers at \$1.50 per subscriber.....	\$70 50
Switching service on Wheeler line at 50 cents per subscriber..	10 00
Switching service on Nehalem line at 50 cents per subscriber..	9 50
TOTAL	\$90 00

Subsequent to the date of application the revenue from company subscribers was reduced by the disconnection of

several stations refusing to continue service under the possibility of increased rates. The revenue from foreign-line switching service was at the same time increased by the agreement of those lines to advance their rate from 50 cents to \$1.00 per subscriber, per month. Under these changed conditions the revenue at the date of hearing was \$103 per month.

Service is maintained by two operators, and with the present wage requirements under the orders of the Industrial Welfare Commission, each operator receives approximately \$48.00 per month. From the testimony offered the detailed operating expenses appear to be as follows:

Operators' wages	\$96 00
Rent	5 00
Light and water.....	3 00
Taxes	2 00
Switchboard batteries	2 40
Manager	10 00
Maintenance expenses	No record
Depreciation	No record
Heat	No record
Stationery and supplies	No record

The revenues in the past have not been sufficient to allow the secretary and manager to draw the nominal salary allowed him. Taxes have been unpaid for long periods and the lines of the company are in a dilapidated condition because no money has been available for required maintenance and replacement work. The manager has also made advance from his personal funds for stationery and supplies, and heat for the exchange office.

From a consideration of these facts it can be readily seen without the necessity for a valuation of the property, that under the present rates sufficient revenue cannot be obtained from the available business to pay reasonable expenses and maintain the lines in workable condition.

In this territory the market for telephone service is limited, and as in all such cases its development on a commercial basis surrounded with difficulties. After a consideration of suggested modifications in the division of expense

C. L. 86]

between the various classes of service, no practical solution other than an increase in rates suggests itself as a remedy for the present situation and a means whereby the central exchange can be continued on the present basis and adequate service provided.

The record shows that the present plan of unlimited party line operation has resulted in a considerable impairment of the service on some portions of the system on account of the heavy traffic imposed upon the lines by three logging camps. This traffic, together with the long distance business originating from the same sources, has a tendency to monopolize already overloaded circuits to the detriment of the occasional users.

While it may be the responsibility of a utility occupying a particular field to supply all applicants for service therein where the demand is reasonable, it is primarily important that the service to existing customers shall be protected against any unreasonable requirements that might arise from new business. In the case of the three logging camps to which reference has been made, the demand for service, both local and long distance, is such that an attempt to satisfy it with existing equipment designed primarily for other purposes prevents the giving of adequate service to other patrons on the lines. Also the providing of additional facilities for handling such business without impairing the service generally, might, under the particular conditions, be an unreasonable burden to expect the utility to bear.

Under such circumstances we are of the opinion that the company would be justified in insisting upon a reasonable agreement with the customers making such unusual demands, for the construction of lines or for such other assistance in the provision of additional equipment as may be found necessary in meeting the particular conditions. The applicant herein will be expected to take such steps as may be reasonably required to provide adequate service on those portions of the system affected by the unduly heavy traffic from the logging developments.

A considerable decrease in stations connected is shown to have resulted from the attempt of the management to enforce a \$2.00 per month rate prior to obtaining authority from the Commission, and from testimony offered we believe the maximum revenue will not be obtained if the rate is above \$1.75 net per month for residence service.

Under the present tariff no distinction in rates is made between residence and business service and without such a distinction we believe unjust discrimination is certain. It is also found that the instruments are in each case owned and maintained by the subscriber. This latter practice is contrary to the provisions of the Act, which denies the utility the privilege of requiring the ownership of facilities by the customer and provides that where such privately owned equipment is used a reasonable rental shall be paid therefor. The rates hereafter determined will include a differential between the two distinct types of service and a provision for the payment of such rentals.

Just, reasonable and not unjustly discriminatory rates for the applicant to charge for its service are as follows:

Party line, residence rates, per month.....	\$2 00
Party line, business rates, per month.....	2 50

These rates contemplate the ownership and maintenance of all telephone instruments by the company. In every instance where the instrument is owned by the subscriber, the company will pay a rental of 25 cents per month, or \$3.00 per year, for the use and maintenance thereof.

After consideration of these findings, the entire record, and all pertinent facts in connection with this case,

It is ordered, That the Nehalem Telephone and Telegraph Company be, and the same hereby is, authorized to discontinue its present rates and to establish in lieu thereof those hereinbefore found to be reasonable, *provided* that the rates so found shall be considered as maximum rates, and that nothing herein shall be construed to prevent the utility from reducing the same so long as such reduction does not produce unjust discrimination between subscribers.

C. L. 86]

It is further ordered, That immediately upon the establishment of rates under this order the company shall file, according to law and the rules of this Commission, a tariff setting forth the charges to be made effective.

A reasonable date for this order to become effective is December 1, 1918.

Dated at Salem, Oregon, this nineteenth day of November, 1918.

In re RATES, CHARGES AND REGULATIONS OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY. (INVESTIGATION ON COMMISSION'S OWN MOTION.)

U-F-117 — Order No. 472.

Decided November 25, 1918.

Improvement in Service Ordered — Sufficient Number of Skilled Operators Ordered Provided.

FINDINGS AND ORDER.

This Commission, in response to numerous and varied complaints, recently initiated a special investigation concerning the telephone service afforded by The Pacific Telephone and Telegraph Company within the city of Portland, and it appearing from such investigation that the service afforded was such as to demand further and formal investigation, the matter was set for hearing at the office of the Commission at 252 Court House, Portland, Oregon, on Wednesday the sixth day of November, 1918, at the hour of 10 o'clock A. M., at which time and place testimony was taken and exhibits offered and received concerning such service conditions and the remedy therefor.

Appearances: for The Pacific Telephone and Telegraph Company, *James T. Shaw*, and *Carey & Kerr*, its attorneys; for Oswald West, Receiver of the Home Telephone and Telegraph Company, *Richard Montague*, his attorney; for the city of Portland, *H. M. Tomlinson*, deputy city attorney.

It may well be said that the problem presented to the Commission regarding the adequacy and reasonableness of the service rendered by this utility to its patrons, has not been difficult of solution, inasmuch as the service afforded by such company within the entire State of Oregon, and particularly in the city of Portland, is, as has been declared by the public and admitted by the respondent company, extremely poor and entirely inadequate, if indeed it may be called "service" at all. To use the language of counsel for the respondent company,

"the service is broken down, and broken down badly."

It appears that the chief cause for the present unreliable service furnished is the insufficient number of competent operators employed by the respondent company in manipulating the vocal manual switching system, the efficiency of which depends, in a large degree, upon the skill and experience of the operating force.

Student operators with from six to ten days' instruction in the company's training school are now being placed at the boards in the central offices, whereas in normal times a period of from sixteen to twenty-two days of preliminary instruction is required before a novice is considered competent to assume any responsibility as a part of the operating force. The training school is merely a preliminary teaching of fundamentals; proficiency is not fully attained by an operator with active experience of less than eight months or one year. Even the extreme reduction in the preliminary instruction period has not prevented the frequent occurrence of vacant positions at the boards. The consequent increased burden placed upon the operators and their inability to efficiently perform their duties have had twofold reflection in the impairment of service.

It being conceded by all parties concerned that service conditions are inadequate and deplorable the problem now faced is one of determining means whereby there may be restored to the patrons of the company the reasonably adequate and efficient service which they demand and to which they are entitled.

C. L. 86]

The respondent company, evidently recognizing that the low schedule of wages paid, was one of the factors responsible for failure to secure and retain competent operators, had under consideration during the month of September, 1918, an adjustment of operating wages, and early in October, 1918, posted a bulletin in their exchanges advising that

“In accordance with our past policy of increasing the wages of operating employees whenever increases were justified and could be given, approval has been requested for a general and substantial increase in the wages of operating employees of this company, to take effect October 16, 1918. A further announcement will be made as soon as possible.”

The language used in the above bulletin conveys a definite and formal promise that “increases were justified and could be given” and it appears to this Commission not unreasonable to assume, that both these facts were determined by the company previous to their request of an approval, or in other words, having determined that increases were justified and further, that they could be given, approval from the government was then sought to fulfill their promise.

The wages were not increased as contemplated. The company now seeks to excuse the existing service conditions upon the theory that its present revenue is insufficient to permit the payment of reasonable wages to the operating employees and that as a consequence it is unable to retain competent operators. The contention is advanced that an immediate and substantial increase in rates is the necessary panacea which will cause the automatic disappearance of all service troubles. By a subsequent bulletin issued November 5, 1918, the employees were then notified that wages could not be increased until the company was able to secure additional revenues through a revision of its telephone rates and concurrently a new schedule of such rates was filed with this Commission proposing, in general, drastic increases and radical revisions over present practices.

The legality of the procedure followed by the company in this regard need not be discussed here in detail. It is

sufficient to say that the procedure is irregular and unlawful and that before the proposed rates or others increasing those in effect January 1, 1911, may become effective, application may first be made, hearing must be held, and an order entered by the Commission granting such increase in accordance with the provisions of the Public Utility Laws of the State of Oregon.

The Commission is of the opinion that increased wages will alleviate the seriousness of the present situation and believes the changes in the scale as outlined by the company may accomplish the desired end. That the wages now paid to the operators of the company are inadequate and should be immediately increased there is no dispute. We do not, however, subscribe to the proposition that the present inadequate wages received by the young women in this work are solely responsible for the poor service afforded.

From testimony produced at the hearing, which testimony stands unchallenged and uncontradicted, it appears that numbers of competent and experienced switchboard operators, formerly in the employ of this company, fully trained in the operation of the particular equipment used by it, and who happen to be members of [the] Telephone Operators Union, have recently applied for positions and have been advised that they would be called in case they were needed. These trained operators have not been called nor employed even during the past months of public clamor for better service, although the company was continuously and extensively advertising for operators, requesting the public to limit its use of the service to essential conversation, using many inexperienced girls at responsible positions on the boards, and at the same time contributing further to the demoralization of service by allowing positions to remain vacant. Our investigation does not disclose the reason for this apparent failure to secure the services of these competent assistants; justification, if there be any, is known only to the operating officials of the company who have not seen fit to offer any explanation. There appears to be no assurance that the services so offered by these skilled operators would be utilized any more readily after

C. L. 86]

an increase in revenues or an advance in the wage scale, than under the conditions heretofore prevailing.

From the testimony introduced at the time of the hearing, and from all the facts and circumstances surrounding this proceeding as disclosed by the record, the Commission makes the following findings:

That The Pacific Telephone and Telegraph Company is a corporation of the State of California and is a public utility, engaged, among other things, in the ownership, operation, management and control of a plant and equipment for the conveyance of telephone and telegraph messages within the State of Oregon, to and for the public, and as such is a public utility and is subject to the provisions of Chapter 279 of the General Laws of Oregon for 1911, and laws supplemental thereto and amendatory thereof.

That the service afforded by said The Pacific Telephone and Telegraph Company to its patrons within the State of Oregon and particularly in the city of Portland, is unjust, unreasonable, insufficient and inadequate.

That the predominant cause of the depreciated and impaired service afforded by said company is its failure to provide a sufficient number of skilled operators.

Based upon the foregoing findings, it is, therefore, determined, that the present telephone service of The Pacific Telephone and Telegraph Company within the State of Oregon is unjust, unreasonable, insufficient and inadequate, and

It is ordered, That The Pacific Telephone and Telegraph Company forthwith provide a sufficient number of skilled operators and adopt such other measures as may be necessary to afford to the patrons reasonable, sufficient and adequate telephone service.

And it is further ordered, That said The Pacific Telephone and Telegraph Company shall within five days from the date of the service of a copy of this order upon it, notify the Commission whether the terms hereof are accepted and will be obeyed.

Dated at Salem, Oregon, this twenty-fifth day of November, 1918.

RHODE ISLAND.

Public Utilities Commission.

In re APPLICATION OF NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO SUPPLEMENT TARIFF.

No. 448.

Decided December 11, 1918.

**Installation and Moving Charges Established by Postmaster General
Authorized to Become Effective on Less Than Required Statutory
Notice.**

ORDER.

Upon consideration, it appearing that the Postmaster General of the United States having on November 30, 1918, prescribed installation and moving charges for all telephone companies,

It is ordered, That said New England Telephone and Telegraph Company be, and it hereby is, authorized to put into effect without the statutory publication and notice to the Commission, such supplements as may be necessary to make its tariffs conform to the charges and regulations contained in Bulletin Number 15 of said November 30, 1918, said supplements to become effective as of December 1, 1918.

December 11, 1918.

SOUTH DAKOTA.

Board of Railroad Commissioners.

In re APPLICATION OF POTTER COUNTY TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE ITS RENTAL RATES AT
GETTYSBURG AND LEBANON.

F-549 and F-550.

Decided November 29, 1918.

**Increase in Business, Residence and Rural Rates Authorized — Prompt
Payment Discount Authorized — 7 Per Cent. Allowed for Reserve
for Depreciation — 7 Per Cent. Considered Reasonable Rate of
Return — Compliance with Law Regulating Contracts and
Rates for Switching Service Ordered.**

Applicant sought authority to increase its rates at its Gettysburg and Lebanon exchanges by from $12\frac{1}{2}$ per cent. to $16\frac{2}{3}$ per cent., and also to put into effect a prompt payment discount. The Board fixed the value of the plant at \$28,000. Operating expenses were estimated at \$7,834.90, including an allowance of \$1,960 for reserve for depreciation. Present rates yield a return of \$641.45, or 2.3 per cent. upon the fair value of the property. The proposed rates will yield a revenue of \$1,274.45, or about $4\frac{1}{2}$ per cent.

Held: That the increase of rates should be authorized, as it was self evident that the rate of return under the rates applied for was not excessive and that such rates were of themselves reasonable. While under present conditions proposed rates would result in a low rate of return, when operating conditions and costs became normal again they would prove amply sufficient to take care of the needs of the company, including the payment of a return of approximately 7 per cent.;

That a prompt payment discount should be authorized as it was the customary and usual practice to require payments of rents in advance;

That 7 per cent. should be allowed for reserve for depreciation, as the question of making an allowance for such purposes had been clearly settled;

That applicant should enter into written contracts with each company with which it had service or switching connections, and that certified copies of such contracts should be filed with the Board; and that the maximum rate for the switching of such rural lines should not exceed 25 cents per month, per telephone, in order to comply with the provisions of the law regulating the same.

REPORT.

This case comes up for hearing on the application of the Potter County Telephone Company for authority to increase certain of its rental rates, asking for permission to put into effect the so-called discount rule covering the prompt payment of telephone rentals. The application sets forth that the rates now charged by the company for different classes of service at its exchanges are as follows:

Gettysburg

Business, main line, per month.....	\$2 00
Residence, main line, per month.....	1 50
Residence, party line, per month.....	1 00
Rural party line, per month.....	1 50
Extension sets, per month.....	25

Lebanon

Business, main line, per month.....	\$1 50
Residence, main line, per month.....	.....
Residence, party line, per month.....	1 00
Rural party line, per month.....	1 50
Extension sets, per month .....	.....

and that these rates are too low to cover the operating expenses, the proper charge for depreciation and the return on the value of the plant devoted to the public service. It asks for authority to establish and put into effect the following rates from which a discount of 25 cents per month, per telephone, will be allowed where the monthly exchange rental is paid on or before the fifteenth day of the current month, and a discount of 25 cents per month, per telephone, where the rural party line rental rate is paid quarterly in advance, payment to be made during the first month of the current quarter.

Gettysburg

Business, main line, per month.....	\$2 25
Residence, main line, per month.....	1 75
Residence, party line, per month.....	1 50
Rural party line, per month.....	1 75
Extension sets, per month.....	50

Lebanon

Business, main line, per month.....	\$2 25
Residence, main line, per month.....	1 75
Residence, party line, per month.....	1 50
Rural party line, per month.....	1 75
Extension sets, per month.....	50
Desk sets, extra.....	25

The case was heard at Gettysburg. The Potter County Telephone Company appeared by *R. L. Flickinger*, secretary. The board was represented by *Oliver E. Sweet*.

In connection with the proceeding held, this Board caused this plant to be valued by its engineer, and the books, vouchers and accounts of the company to be examined by its statistician, and as a result of this valuation and the examination of the books, accounts and vouchers, this Board is of the opinion, and finds, that the fair and reasonable value of the telephone system of the Potter County Telephone Company at the date of the hearing and at the present time was, and is, \$28,000. The operating expenses as shown by the books of the company for its system plant for the year ending December 31, 1917, are as follows:

Maintenance and depreciation.....	\$3,734 29
Traffic expenses	1,397 40
General expenses	1,654 55
Taxes, both Federal and State.....	270 43

The operating expenses as shown for the year 1917 are considerably in excess of the operating expenses for the year 1916 and former years. This higher operating cost is shown to be due to the high level of labor and material prices obtaining during the war period. It likewise appears from the testimony that the company finds itself obligated to further increase the salaries of its employees. Having given careful consideration to all of the testimony we approve and find, for the purposes of this case, estimated annual operating expenses as follows:

778 SOUTH DAKOTA BOARD OF RAILROAD COMMISSIONERS.

[S. D.]

Maintenance	\$2,081 24
Depreciation of plant and equipment.....	1,960 00
Traffic expenses	1,748 68
General expenses	1,774 55
Taxes	270 43
TOTAL	\$7,834 90

Included with these operating expenses is an item "Depreciation of plant and equipment, \$1,960." All other items of expense as shown clearly approximate the actual expenses incurred. The allowance of a certain arbitrary amount to be set aside as a depreciation reserve is made for the purpose of taking care of the lessened money value caused by the deterioration of the property occasioned by wear and tear due to use in the service and the age of the facility, to obsolescence due to changes or development in the art, or to inadequacy or supersession caused by the growth of the business so that the old facilities are no longer adequate or sufficient for the purposes for which they were intended and must be replaced by larger and more up-to-date units, and deferred maintenance caused by failure to make necessary repairs to preserve the plant in proper condition. The question of making an allowance is so clearly settled that we consider the citation of authority hardly necessary. However, in *Knoxville v. Knoxville Water Company*, 212 U. S. 1; 29 Sup. Ct. 149, in considering the question of depreciation, the United States Supreme Court held that a plant with all its additions begins to depreciate in value from the moment of its use and that before coming to the question of profit at all, a company is entitled to earn a sufficient sum annually to provide not only for current repairs but for making good the depreciation and replacing the parts of the property when they come to the end of their life, and that it was not only the right of the company to make provision to take care of such replacement, but that it was its duty to its bond and stockholders, and in the case of a public service corporation at least its plain duty to the public. As the

C. L. 86]

amount set aside for annual reserves for depreciation, as well as the amount which shall be paid as a return on the value of the property used in performing the service, must be met from revenues and paid by the public receiving the service, the question of the proper determination of the rate of depreciation should receive the most careful consideration.

In this case we are of the opinion that 7 per cent. for depreciation will be sufficient. For the purpose of comparison we have prepared a table setting up the operating revenues at the present rates and at the rates applied for.

	<i>Present Rates</i>	<i>Rates Applied For</i>
Revenues	\$8,476 35	\$9,109 35
Operating expenses and taxes.....	7,834 90	7,834 90
	<hr/>	<hr/>
	\$641 45	\$1,274 45

Deducting the operating expenses and taxes from the total revenues a net return is shown under the present rates of \$641.45, or 2.3 per cent. upon the fair value of the property, and under the rates applied for, the net revenue is found to be \$1,274.45, or 4½ per cent. plus. It is self evident that the return to the company under its present rates is far too low. We think it is also self evident that the rate of return under the net rates applied for is not excessive and that the proposed rates are in and of themselves reasonable and that the application of said rates will, under present conditions, result in a low rate of return. However, when operating conditions and costs become normal, we are of the opinion that the rates applied for will prove amply sufficient to take care of the needs of the company, including the payment of a return to the investors of approximately 7 per cent. on the value of the property. While it is true that the rate of return possible at the present time appears low, it clearly appears that the situation is brought about by the abnormal conditions due to the war. We are clearly of the opinion that all of the burden brought about by the war should not be imposed

upon the public. In other words, we feel that the company should assume at least some part of the additional cost. In connection with the adoption of the discount rule it is deemed sufficient to say that it is the customary and usual practice to require payment of the rates in advance.

From the evidence it appears that the company has failed to secure written contracts with connecting companies, and it likewise appears that the company not only performs a switching service for certain rural telephone line companies, but also furnishes said companies line facilities extending from the exchange limits to a point in the country where the connection is made. The law specifically requires each and every telephone company in this State to enter into written contract with the connecting companies and file a certified copy of such contract with this Board. The law further specifically provides that the maximum rate that may be charged for the switching of rural party lines shall not exceed 25 cents per month, per telephone.

After a careful examination of all of the testimony in this proceeding, we are of the opinion, and find, that the Potter County Telephone Company rates for the future, and until the further order of this Board in the premises, should be as follows:

Gettysburg

Business, main line, per month.....	\$2 00
Residence, main line, per month.....	1 50
Residence, party line, per month.....	1 25
Rural party line, per month.....	1 50
Extension sets, per month.....	50

Lebanon

Business, main line, per month.....	\$2 00
Residence, main line, per month.....	1 50
Residence, party line, per month.....	1 25
Rural party line, per month.....	1 50
Extension sets, per month.....	50
Desk sets for either business or residence service per month, extra	25

C. L. 86]

that the company be permitted to name a rate 25 cents per month, per telephone, for either business or residence service in excess of the rates last above named, from which a discount of 25 cents per month, per telephone, will be allowed where the said rental is paid on or before the fifteenth day of the current month, and that the company be permitted to name a rate 25 cents per month, per telephone, in excess of the rates named for rural party line service, from which a discount of 25 cents per month, per telephone, will be allowed where the rural line rental is paid quarterly in advance, payment to be made during the first month of the current quarter, and that said rates be made effective as of January 1, 1919; that the company be required to enter into written contract with each and every company with which it has service or switching connection.

As conclusions of law from the foregoing facts the Board now hereby finds and decides that an order be made and entered in this proceeding approving the schedule of rates last above set forth as of January 1, 1919, and requiring the Potter County Telephone Company to at once enter into written contracts with each and every telephone company with which it has service or switching connection and that certified copies of said contract to be filed with this Board on or before the effective date as previously stated.

Done in regular session in the city of Pierre, the Capital, on this twenty-ninth day of November, 1918.

ORDER.

This Board, having completed its investigation and on this day filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing,

It is, therefore, ordered, considered and adjudged: (a) That the rates for telephone rentals and telephone service in connection therewith for the Potter County Telephone Company applying at its exchanges in Gettysburg and Lebanon and rural lines connected therewith and effective as

782 SOUTH DAKOTA BOARD OF RAILROAD COMMISSIONERS.

[S. D.]

of January 1, 1919, be, and hereby are, fixed at the amounts as follows:

Gettysburg

Business, main line, per month.....	\$2 00
Residence, main line, per month.....	1 50
Residence, party line, per month.....	1 25
Rural party line, per month.....	1 50
Extension sets, per month.....	50

Lebanon

Business, main line, per month.....	\$2 00
Residence, main line, per month.....	1 50
Residence, party line, per month.....	1 25
Rural party line, per month.....	1 50
Extension sets, per month.....	50
Desk sets for either business or residence service per month, extra	25

all exchange residence and business rates to be paid on or before the fifteenth day of the current month, and that permission is granted to the telephone company to name a rate in its published schedule of 25 cents per [month, per telephone], in excess of the above subscribed rates, on condition only that if the telephone rental is paid on or before the fifteenth day of the current month in which the service is rendered, a discount of 25 cents per month shall be allowed, and that the company is granted permission to name a rate for rural party line service 25 cents per month in excess of the rates approved, on condition that if the said rental is paid quarterly in advance, payment to be made during the first month of the current quarter, a discount of 25 cents per month shall be allowed.

(b) That the said Potter County Telephone Company be, and hereby is, commanded and required to enter into written contract with all companies with which it has service or switching connection, and that certified copies of such contracts shall be filed with this Board on or before January 1, 1919.

November 29, 1918.

In re APPLICATION OF DAKOTA CENTRAL TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES FOR RURAL PARTY
LINE SERVICE AT STRATFORD.

Docket No. 3329.

Decided December 19, 1918.

**Increase in Rural Party Line Rate, with Prompt Payment Discount,
Authorized — 7 Per Cent. Estimated for Reserve for Depreciation —
7 Per Cent. Fixed as Rate of Return.**

REPORT.

In this case the Dakota Central Telephone Company makes application for permission to increase its rural party line telephone rates from \$12.00 per year if paid yearly in advance, or \$1.50 per month if not paid in advance, to \$15.00 per year, per telephone, if paid quarterly in advance, or \$1.50 per month if not so paid. In its application the company stated that the reason for asking for an increase in rates was that the cost of both labor and material had greatly increased, and that the revenue received under its present rates was not sufficient to keep the equipment in efficient condition, take care of necessary reserves and pay any return whatever upon the investment. The matter was set down for hearing at Aberdeen. The company appeared by its president, *Mr. J. L. W. Zietlow*. The Board was represented by its counsel, *Mr. Oliver E. Sweet*.

From the evidence it appears that the Dakota Central Telephone Company, in connection with the operation of its general telephone system, owns and operates a rural line in the vicinity of Stratford and that the said line, upon which it serves 17 subscribers, has connection with the switchboard at that point, and by means of a so-called farm or knife switch emergency night service is furnished thru the Aberdeen exchange.

A valuation of the line was made by the company, and it claims that the line as constructed, on the basis of the cost of reproduction new is of the value of \$2,621.87. No figures

were submitted as to the original cost or as to the present or depreciated value. The value as claimed appears high. This is at least partly accounted for when it is considered that approximately 30 miles of pole line and 34 miles of wire are in place to serve the limited number of subscribers. Assuming a fair value for the purpose of this case to be \$1,275, and making an allowance of 7 per cent. on such value to cover depreciation, and accepting the actual expenses as shown by the company for the year 1917 as fair and reasonable for the future, the following statement of annual expenses results:

Maintenance	\$10 88
Switching 17 'phones at \$3.00 per year.....	51 00
Taxes	17 86
Depreciation	89 25
TOTAL	\$168 99

For the purpose of comparison the following table is submitted. It shows the operating revenues of this line at the present rate of \$1.00 per month, or \$12.00 per year, and at the rate of \$1.25 per month, or \$15.00 per year:

	<i>At \$12.00</i>	<i>At \$15.00</i>
Revenues	\$204 00	\$255 00
Operating expenses, etc.....	168 99	168 99
	<hr/>	<hr/>
	\$35 01	\$86 01

Under the present return on the valuation herein accepted the company would earn slightly less than 3 per cent. Under a rate of \$1.25 per month, or \$15.00 per year as applied for, its return on the same valuation would be nearly 7 per cent. In its application and at the hearing the company requested that it be permitted to name a rate from which it should make a discount where the rental is paid in advance. In this connection it is deemed sufficient to say that we have in numerous cases permitted and in fact authorized the adoption of a rule requiring rents to be paid in advance, on the theory that prompt payment of

C. L. 86]

telephone rentals protects the public and the company against loss arising because of the failure of subscribers to pay their rents in any event, and in order that collection expenses may be kept at a minimum. The accounts lost owing to unpaid or uncollected accounts, as well as the expense of collection, are properly charged against income, and where a large part or any part of the rental remains unpaid, or where the collection expense is unnecessarily high, the paying subscribers must assume the burden of supplying the lost income in the payment of advanced rates. We are of the opinion, and find, that in this case the telephone company should be permitted to name a rate of \$18.00 per year payable quarterly in advance, with an allowance of a discount of 25 cents per month if the quarterly rates are paid during the first month of the current quarter.

From a careful consideration of all of the evidence in this case, we are of the opinion, and find, that an order should be made and entered in this proceeding approving a rural party line telephone rental rate of \$1.25 per month, or \$15.00 per year, and that the order should contain a provision permitting the company to name a rate 25 cents per month, per telephone, in advance of the net rate herein fixed, a discount of 25 cents per month, per telephone, to be allowed where the rental is paid quarterly in advance, payment to be made during the first month of the current quarter, and that the rates herein fixed and established should be permitted to become effective January 1, 1919.

Done in regular session at the city of Pierre, the Capital, this nineteenth day of December, 1918.

ORDER.

On this date, this Board having completed its investigation and made and filed its report containing its findings and conclusions and being fully advised in the premises, and sufficient cause for this order appearing,

It is, therefore, ordered, considered and adjudged, That the rural party line telephone rental rate of the Dakota

[S. D.

Central Telephone Company in the vicinity of Strafford be, and hereby is, approved, to become effective January 1, 1919, as follows: for rural party line service \$18.00 per year, payable quarterly in advance, a discount of 25 cents per month to be allowed where the payment is made during the first month of the current quarter.

December 19, 1918.

In re APPLICATION OF DAKOTA CENTRAL TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES FOR RURAL PARTY
LINE SERVICE AT ABERDEEN.

Docket No. 3330.

Decided December 19, 1918.

**Increase in Rural Party Line Rate, with Prompt Payment Discount,
Authorized — 7 Per Cent. Estimated for Reserve for Depreciation —
7 Per Cent. Fixed for Rate of Return.**

REPORT.

This is an application of the Dakota Central Telephone Company for permission to increase its rural party line telephone rates from \$12.00 per year in advance, or at the rate of \$1.50 per month if not paid yearly in advance, to \$15.00 per year payable quarterly in advance, or \$1.50 per month where the rental is not so paid. The matter was set down for hearing at Aberdeen. The company appeared by *J. L. W. Zietlow*, its president. The Board was represented by its counsel, *Mr. Oliver E. Sweet*.

The evidence shows that the company owns and operates with direct connection with its Aberdeen exchange rural party lines by means of which, at the time of the hearing, 445 subscribers were receiving service; that 24-hour or continuous service is furnished; that the average age of the lines is approximately as follows: one-third, twelve years, one-third, nine years and the remainder four or

C. L. 86]

five years. A valuation of these rural lines in the Aberdeen exchange area was made by the company, and it claims that the lines and equipment as constructed and located on the basis of the cost of reproduction new is of the value of \$34,250.16. No evidence was submitted either as to the original cost or as to the present or depreciated value of the plant. We have assumed that the quantities of the different classes of material and equipment in place, as shown by the company in the inventory submitted, are correct. A careful examination of the unit prices applied in arriving at the reproduction cost new, heretofore noted, appears to show that an excessively high level of unit costs was used to arrive at the value of certain classes of equipment. From a careful examination of all of the evidence, this Board is of the opinion, and finds, that the fair value for the purposes of this case of the rural telephone lines of the Dakota Central Telephone Company in the Aberdeen exchange area at the date of the hearing and at the present time, was, and is, \$27,000.

The operating expenses as shown by the company for the period from March 1, 1917, to March 1, 1918, are as follows:

Maintenance	\$880 61
Batteries	207 11
Uncollectible bills	15 00
Taxes	157 70
Switching 433 'phones at 25 cents per month.....	1,299 00
Depreciation 7 per cent. on inventory value of \$34,250.16.....	2,397 51
TOTAL	\$4,956 93

The amounts covering maintenance, batteries and taxes may be taken as fairly indicative of the future needs of the company in respect to those items. Although taxes may run somewhat higher, the amount of \$1,299, covering the switching of 433 telephones, is apparently erroneous. The testimony clearly shows that there was installed as of June 1, 1918, 445 telephones, and that number of instruments was included in the inventory submitted by the com-

pany's engineer. The amount set aside for depreciation reserve will of necessity be reduced if the same percentage which we approve is applied to the valuation herein found reasonable. In the statement of expenses submitted by the company no allowance was claimed to cover general and traffic expenses. Having given the matter careful consideration, we approve, and find, for the purposes of this case, estimated annual operating expenses as follows:

Maintenance expenses, including batteries.....	\$1,087 72
General expenses	300 00
Switching 445 telephones at \$3.00 per year.....	1,335 00
Taxes	175 00
Depreciation 7 per cent. on value of \$27,000.....	1,890 00
TOTAL	\$4,787 72

For the purpose of comparison, we submit the following statement, in which is set up the operating revenues of these rural lines at the present rates of \$1.00 per month, or \$12.00 per year, and at the proposed rates of \$1.25 per month, or \$15.00 per year.

	<i>Present Rates</i>	<i>Proposed Rates</i>
Revenue	\$5,340 00	\$6,675 00
Operating expenses	4,787 72	4,787 72
NET REVENUES	\$552 28	\$1,887 28

Under the present rates, on the valuation herein approved, the company would earn slightly over 2 per cent., while under the rate of \$1.25 per month, or \$15.00 per year, its return on the same valuation would be approximately 7 per cent. The company is entitled to earn a fair return upon the value of its property devoted to the public use, and we find that the possible rate of return, if the rates applied for are authorized, will not be unreasonable nor unjust. In its application the company as previously stated asks that it be permitted to name a rate from which a discount is allowed where the rental is paid quarterly

C. L. 86]

in advance. We have granted like permission in numerous cases, and in discussing this question in the matter of the *Application of the Webster Telephone Company for Authority to Increase Rural Line Telephone Rates*,* S. D. R. R. Com. 1916, Annual Report, page 259, Public Utilities Report 1916D, page 603, we said:

"In answer to a protest made on behalf of the subscribers against a requirement which would permit of the naming of a rate to be paid before the service is performed, and particularly of a rate from which a discount should be allowed for prompt payment, and as instancing the unreasonableness of such a provision, the attention of the Board was called to the fact that in no case were the subscribers, who were farmers, able to exact payment for their productions in advance. It is sufficient, however, on this branch of the case, that a different rule applies to public service corporations, whose business is subject to regulation, and whose rates are fixed by the government, than to private individuals engaged in a private enterprise. It is the customary and usual practice to require payment of the rates in advance to protect the public and the telephone company against loss arising because of the failure of the subscribers to pay their rent in any event. The only source of revenue a public service corporation has is from the rates received for the service which it performs for its subscribers, and if a large part or any part of these rates remain unpaid, then the remaining subscribers must assume the burden of the lost accounts in increased rates, for under such a system lost accounts from removals and from other causes may be charged against the income, thus reducing the net revenue, and in some instances requiring advances in rates."

Experience has demonstrated to our satisfaction that where the discount rule has been in operation the amounts lost by reason of unpaid or uncollectible bills has been materially reduced, and that the cost of making collections has been very materially lessened. We are of the opinion, and find in this case, that the telephone company should be granted permission to name a rate of \$18.00 per year, payable quarterly in advance, with an allowance of a discount of 25 cents per month if the quarterly rental rates are paid during the first month of the current quarter.

From a careful consideration of all of the evidence in

* See Commission Leaflet No. 54, p. 151.

this case, we are of the opinion, and find, that an order should be made and entered in this proceeding approving a rural party line telephone rental rate of \$1.25 per month, or \$15.00 per year, and that the order should contain a provision permitting the company to name a rate 25 cents per month in advance of the net rates herein fixed, a discount of 25 cents per month, per telephone, to be allowed where the rental is paid quarterly in advance, payments to be made during the first month of the current quarters, and that the rates herein fixed and established be permitted to become effective January 1, 1919.

Done in regular session at the city of Pierre, the Capital, on this nineteenth day of December, 1918.

ORDER.

On this date this Board having completed its investigation and made and filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing,

It is, therefore, ordered, considered and adjudged, That the rural party line telephone rental rate of the Dakota Central Telephone Company in its Aberdeen exchange area be, and hereby is, approved, to become effective January 1, 1919, as follows:

For rural party line service \$18.00 per year, payable quarterly in advance, a discount of 25 cents per month to be allowed where payment is made during the first month of the current quarter. This order is not to be construed as in any manner modifying the rates in effect on the class of service received by those subscribers of the company who reside in the town of Bath.

December 19, 1918.

In re APPLICATION OF TRI-COUNTY FARMERS TELEPHONE
COMPANY OF IRENE FOR AUTHORITY TO INCREASE RATES.

F-571.

Decided December 24, 1918.

Increase in Residence and Rural Rates Authorized — Increase in Business Rate Denied — Rural Rate Made Higher than Residence Rate due to Heavy Deficit in Operation of Rural Lines — Prompt Payment Discount Authorized — Subscribers, Not Company, should Determine Whether Night Calls are Emergency Calls — Extension of Hours of Service Ordered.

Applicant, operating exchanges at Irene and Volin serving 155 town and 427 rural subscribers, sought authority to increase business, residence and rural rates by from 25 per cent. to 50 per cent. In 1917 it sustained a deficit of 1.21 per cent., including reserve for depreciation. Three valuations were submitted, the lowest of which gave the depreciated value as \$32,388, and the Commission fixed the value at \$30,000. The book value was \$28,846.94, and the capital stock was \$17,275. The Commission found that on the rural lines, operating revenues at present rates amount to \$5,145, while the expenses and deductions properly chargeable against such revenue amount to \$7,458.11.

Held: That the business rate of \$2.00 per month was sufficiently high and entirely remunerative;

That a rate of \$1.00 per month for rural service was entirely inadequate to cover the proper proportion of the operating expenses attributable to the rural lines, and a rate of \$1.30 per month, which was fair and reasonable, should be authorized;

That residence rates should be advanced from \$1.00 to \$1.25 per month, in order that a proper distribution of the burden of the cost of the service might be had;

That the company should be authorized to put into effect a prompt payment discount by charging rates 25 cents per month in excess of the rates authorized, subject to a discount of 25 cents, and that notice of the discount rule should be plainly printed on the face of bills rendered to telephone patrons;

That as to emergency night service, which had been confined to calls for physicians, and which were not handled unless deemed by the company to be emergency calls, it was the province of the subscriber to determine whether a given call was an emergency call, and the company should not assume the power arbitrarily to dictate to its subscribers as to what were and what were not emergency calls, and it should amend its rules so to provide;

That the hours of service of the company should be extended so as to furnish week day service between December 1 and April 1 from 7 A. M. until 10 P. M., and between April 1 and December 1 from 6 A. M. to 10 P. M., Sunday service to be 8 A. M. to 12 M. and 1 P. M. until 6 P. M., and that as to night service, some person or operator able to handle the switchboard should sleep in the room, with a night alarm bell attached to the switchboard, so as to attend to emergency night calls.

REPORT.

The Tri-County Farmers Telephone Company makes application to increase its telephone rental rates. Its rates now in effect are as follows:

	<i>Per Month</i>	<i>Per Annum</i>
Business telephones	\$2 00	\$24 00
Residence telephones	1 00	12 00
Extensions of business or residence 'phones.....	50	6 00
Rural telephones	1 00	12 00

The company applies for permission to publish and put into effect rates as follows:

	<i>Per Month</i>	<i>Per Annum</i>
Business telephones'.....	\$2 50	\$30 00
Residence telephones	1 50	18 00
Rural telephones	1 50	18 00
Extension of business or residence 'phones.....	50	6 00

With the exception of the extension rate, the above rental rates to be subject to a discount of 25 cents a month if, as to the town telephones, they are paid monthly in advance, and as to the rural telephones, if paid quarterly in advance.

After the filing of the application to increase the rates, a service complaint was filed by numerous of the company's subscribers in which they complained against the service furnished by the company and asked for additional or extended service. The present week day service is from 7 A. M. to 9 P. M., and on Sundays and holidays from 9 A. M. to 11 A. M. and 4 to 6 P. M. The night service is limited to emergency calls and calls for physicians between 10 P. M. and 6 A. M. The subscribers desire that this service be enlarged so as to provide week day service from 7 A. M. to 10 P. M., and Sunday and holiday service from 8 A. M. to 12

C. L. 86]

m. and 1 P. M. to 6 P. M., with night service so that they will be able to get their calls through when desired. For this additional service the company asks that its application be amended so as to apply for a rate of \$16.00 per year, payable quarterly in advance, or \$18.00 per year if not paid in advance.

The case was heard at Irene. The company appeared by its secretary and manager, *Mr. H. P. Hartwell*. The complaining subscribers appeared by their attorney, *Mr. A. L. Wyman* of Yankton.

The Tri-County [Farmers] Telephone Company owns and operates the exchanges at Irene and Volin in Yankton County, and in connection with each exchange operates rural lines. It also operates toll lines between Irene, Viborg, Volin and Wakonda.

It is contended by the telephone company that, because of the very heavy increases which have occurred in the cost of materials and supplies of all kinds, and the advances in wages of linemen and operators, it has for several years suffered a decline in its net revenues, and for the calendar year ended December 31, 1917, operated at a loss, having a deficit equivalent to 1.21 per cent.

Three valuations of the plant and equipment of the telephone company are shown in the record. One valuation was made by a Mr. E. C. Hurd, a telephone engineer formerly in the employ of the Nebraska Railroad Commission; another valuation was made by the engineer for this Board. In addition to these valuations showing the cost of reproduction new and the present value, we have had the accounts of the company examined by our statistician, and as the result of his examination he has reproduced in an exhibit the company's book cost of the plant. He states, however, that this book cost of the plant does not represent truly the actual investment of the company, for that in the early days before the issuance by this Board of its telephone accounting circular many items properly chargeable to the cost of property account or cost of plant and equipment were charged to operating expenses. Both engineers unwittingly

included the office buildings and lots as a part of the property of the company, and did so on the theory that the buildings and lots belonged to the company, which was not the fact; the buildings belong to the officers of the company and were rented by the company, and consequently the valuations of the engineers should be reduced by the value of the real property erroneously included in their respective valuations. It will serve no useful purpose to enter into a lengthy discussion as to values. We have carefully examined all of the testimony on the question of valuation, and for the purposes of this case are of the opinion, and find, that the value of the property of the company used in the telephone service is \$30,000. The record cost of the plant and equipment of this company as shown by its books amounts to \$28,846.94. Its cost of reproduction new as established by Engineer Hurd in his valuation is \$50,301.05, and his present or depreciated value is \$36,662.76. The cost of reproduction new as established by the engineer for this Board is \$49,149, and his present or depreciated value is \$35,888. The real estate improperly included in these valuations is worth approximately \$3,500. In establishing our figure of \$30,000 as the valuation in this case, we have made some allowance for the items improperly charged to operating expenses, and have also given careful consideration to the present or depreciated values as fixed by the engineers.

The examination of the accounts of the company cover the entire period from its organization in 1903 down to and including the calendar year ended December 31, 1917. The record cost of the plant and equipment of the company on December 31, 1904, was \$8,664.91, while on December 31, 1917, this item had reached \$28,846.94. Dividends were paid by the company only during the years 1909-1912, inclusive, and it quite clearly appears that the plant has been built up out of the earnings. With a capital stock of only \$17,275, the company owns a plant which cost it, according to its own records, \$28,846.94, and this item does not accurately or truly set forth the actual cost to the com-

C. L. 86]

pany, because of the fact that in previous years many items properly chargeable to the cost of plant and equipment were charged to operating expenses.

While the operating revenues have increased from \$5,000.69 in 1909 to \$9,471.01 for the year ended December 31, 1917, during this same period the operating expenses and taxes have increased from \$2,739.35 in 1909 to \$9,820.54 for the year ended December 31, 1917. The net income in 1909 was \$2,261.34, and for the year ended December 31, 1917, there was a deficit of \$349.53. The net income for 1909 as shown by the books of the company at \$2,261.34 does not accurately disclose the earnings of the company during the year because of the fact that there was no amount set aside in the depreciation reserve in 1909. Its cost of plant and equipment at that time represented \$24,742.12, and had there been set aside in that year a sum equal to the amount set aside for depreciation in 1910, or \$742.12, its net income would have been reduced to \$1,519.22, and after deducting the dividend of \$820 paid in that year there would have been a balance of \$699.22 to carry to the surplus account. The rate of return in 1909 on the value of the property then used in the telephone service was 9.14 per cent., and for the year 1917 there was a deficit of 1.21 per cent. TABLE I. set forth below portrays the decline in net returns for the year ended December 31, 1909-1917, inclusive:

	<i>Operating Revenues</i>	<i>Operating Expenses and Taxes</i>	<i>Net Income</i>	<i>Cost Plant and Equipment, Amount</i>	<i>Per Cent. Return</i>
1. 1909.....	\$5,000 69	\$2,739 35	\$2,261 34	\$24,742 00	9.14
2. 1910.....	7,102 82	5,185 85	1,916 97	24,742 00	7.75
3. 1911.....	7,517 75	5,603 28	1,914 47	25,254 00	7.58
4. 1912.....	7,808 00	5,604 24	2,203 76	25,331 00	8.70
5. 1913.....	7,789 00	5,645 60	2,143 40	25,200 00	8.51
6. 1914.....	8,119 80	6,380 70	1,739 10	26,114 00	6.67
7. 1915.....	8,446 81	6,614 28	1,832 53	26,583 00	6.89
8. 1916.....	8,641 72	8,104 06	537 66	27,341 00	1.97
9. 1917.....	9,471 01	9,820 54	*349 53	28,847 00	*1.21

* Deficit.

We have made an analysis of the operations of this company for the purpose of discovering where and in connection with what particular branch of the service the deficit occurs. The company has 155 subscribers on its exchanges and 427 rural subscribers, or a total of 582 in all. The operating revenues derived from the rural lines at the present rates, on the basis of the number of subscribers receiving service on December 31, 1917, amount to \$5,145, while the operating expenses and deductions properly chargeable against this revenue amount to \$7,458.11, leaving a deficit from the operation of the rural lines of \$2,313.11. The company has asked for an increase of 25 cents in rates for each branch of the service. Our study of this record convinces us that the business rate of \$2.00 per month in effect at the exchanges in Irene and Volin is sufficiently high and entirely remunerative; and we are likewise of the opinion that advances must be made in the rates for residence and rural line service. An advance of 25 cents a month on the residence rates will produce additional revenue of \$315 per annum, and an advance of 30 cents per month in the rural line rental rates will produce additional revenue in the sum of \$1,537.20 per annum. If these advances are allowed, they will produce a total additional revenue of \$1,852.20 per annum on the basis of the number of subscribers receiving service on December 31, 1917.

As in all cases which have come under our observation, the cost of operation per telephone instrument or per subscriber or per station is higher on the rural lines than on the lines within the city or town, and this arises from the fact that in order to make repairs on rural lines it is necessary to take an automobile or other conveyance and spend a large amount of time in driving to and returning from the place where the repair is to be made, while in the city this expenditure is not always necessary and simple repairs may be made in a very short space of time. It is quite clear to us from an examination of this record that a rate of \$1.00 per month for rural telephone service is entirely inadequate to cover the proper proportion of the operating expenses of this company attributable to the rural lines,

C. L. 86]

and we are therefore of the opinion, and find, that a fair and reasonable rural party telephone rental rate for this company is \$1.30 per month, or \$15.60 per annum. We are also firmly of the opinion that a proper distribution of the burden of the cost of the service in this case calls for an increase of 25 cents per month in the residence rate, and that a rate of \$1.25 per month or \$15.00 per annum is a fair and reasonable rate for residence telephone service in the cities of Irene and Volin.

The company asks permission to publish a gross rate of 25 cents per month higher than the rates herein approved, on condition that the gross rates be subject to a discount of 25 cents per month if, as to the business and residence rates, they are paid in advance on or before the fifteenth day of the current month, and if, as to rural telephone rental rates, they are paid quarterly in advance during the first month of the current quarter. This practice has been established by public service corporations and by this and other regulating bodies to protect the revenues of the company. Such a rule usually results in having all of the telephone rental rates paid in advance. Where rates are not paid until after the service is rendered, there is a loss to the company from bad accounts, and in establishing rates allowance must be made for the losses accruing from bad accounts. Under the discount rule no such allowance is made. The practice is too well established to require lengthy discussion, and to those who pay their rent promptly there is no increase in the net rate. In the absence of such a rule the company is required to put on a collector to collect the rents of those who do not pay promptly, and this collection cost is a proper charge in operating expenses. The rule has been adopted by regulating commissions and public service corporations not only to protect the revenues of the company but to protect those patrons of the companies who pay their bills promptly.

The rates herein established may be made effective January 1, 1919, and each patron should be notified of the increase in rates and of the establishment of the discount rule in order that an opportunity may be afforded to him

to take advantage of the rule and to protect himself in the payment of the net rate. This notice of the discount rule should be plainly printed on the face of bills rendered to telephone patrons.

We have carefully examined the testimony in this record regarding the hours during which telephone service is being furnished by the company to its subscribers and the requests made by subscribers for a more extended service. There is an inkling in this record that the emergency night service has been confined to calls for physicians, and the manager of the telephone company testified that unless the call was such a call as was deemed by the company to be an emergency, it was not handled. It has not been our experience that persons will get up in the night time, or, rather, sit up nights, merely for the purpose of telephoning. If such instances occur, they must of necessity be very rare. In the first instance, we believe it is the province of the subscriber to determine as to whether a given call is an emergency call, and that the company should not assume arbitrarily the power to dictate to its subscribers as to what are and what are not emergency calls. Many instances might arise necessitating the putting through of a telephone call in the night time in addition to calling for a physician or a nurse, and we believe that the rules of the company should be amended so that the patrons of the company and not the operators or officials of the company should determine in the first instance whether a particular message is an emergency call. It is quite unlikely that such a rule would be abused, and if it were, the remedy can be applied after it has been discovered that the rule is being abused.

Upon a careful consideration of all of the evidence on this branch of the case, we are of the opinion, and find, that the service should be enlarged so as to furnish week day service between December 1 and April 1 from 7 A. M. until 10 P. M., and between April 1 and December 1 from 6 A. M. to 10 P. M.; that the Sunday service should be from 8 A. M. to 12 M., and from 1 until 6 P. M., and that as to the

C. L. 86]

night service, it will be sufficient to have an operator or some person who is able to handle the switchboard sleep in the room, with the night alarm bell attached to the switchboard, so as to attend to all calls coming in in the night time between the hours when continuous service is not afforded.

Let an order be entered accordingly.

Done in regular session at the city of Pierre, the Capital, on this twenty-fourth day of December, 1918.

ORDER.

On this day, the Board having completed its investigation and made and filed its report containing its findings and conclusions, a copy whereof is hereunto annexed, hereby referred to and made a part of this order, and the Board being fully advised in the premises, and sufficient cause for this order appearing,

It is ordered, That the Tri-County [Farmers] Telephone Company be, and it hereby is, authorized to publish and put into effect January 1, 1919, a schedule of telephone rental rates at its exchanges in Irene and Volin and on its rural lines as follows, to-wit:

	<i>Per Month</i>	<i>Per Annum</i>
Business telephones	\$2 25	\$27 00
Residence telephones	1 50	18 00
Rural party telephones	1 55	18 60
Extension telephones	50	6 00
Desk sets, 25 cents extra.		

the foregoing business and residence rates to be subject to a discount of 25 cents per month if paid in advance on or before the fifteenth day of the current month, and the rural telephone rates to be subject to a discount of 25 cents per month if paid quarterly in advance during the first month of the current quarter.

And it is further ordered, That the week day and Sunday service, as well as night emergency service, should be extended or enlarged as outlined in our report, and the company will be expected to conform to that requirement.

December 24, 1918.

WISCONSIN.

Railroad Commission.

In re APPLICATION OF PRICE COUNTY TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE ITS RATES, TOLLS AND
CHARGES.

U-970.

Decided November 29, 1918.

**Company for Whose Convenience Rural Line was Installed Required to
Guarantee Certain Minimum Revenues — Toll Charge Authorized
for Calls on Rural Multi-party Line.**

OPINION AND DECISION.

Application in this matter, dated July 23, 1918, sets forth among other things that the applicant owns a rural line extending from Phillips to Lugerville, a distance of about 14 miles; that there are four telephones on this line paying a total of \$9.00 per month; that a 10-cent other line toll charge is made for long distance calls incoming to the Lugerville line, but that all patrons of the applicant have free connections thereon. Applicant further sets forth that the revenues derived from the operation of the line are not sufficient to warrant its maintenance under present conditions and seeks authority to place in effect such a schedule of rates as the Commission after due investigation deems just and proper.

This applicant operates an exchange at Phillips, Wisconsin, serving approximately 275 subscribers, all of which are on a full metallic basis. It appears that the line in question was built seven or eight years ago for the accommodation of a lumber company. This line extends north from Phillips to Sasson about 6 miles, thence west, following a logging railway 6 miles to Lugerville. One telephone is installed at Sasson for a private subscriber and takes a rate of \$2.00 per month. The other three are used by the West Lumber Company operating at Lugerville and

C. L. 86]

are paid for, one at a rate of \$2.00 per month and two at \$2.50 per month. In addition to these installations the applicant has installed at Lugerville a pay station for the use of employees and transients who desire to call the Phillips exchange, a 10-cent toll charge being made for such calls.

Hearing in this matter was held at the office of the Railroad Commission on September 6, 1918. Appearances were, *Karl Mess* on behalf of the Price County Telephone Company, *W. K. Parkinson* and *W. G. Collar* on behalf of the West Lumber Company.

It is apparent from the testimony that the question involved in this application is that of the determination of a fair return for the extension of limited party line service outside of the local exchange limits of the Phillips exchange. In other cases which the Commission has passed upon similar to this it has been assumed that the rate for party line service of the local exchange would be sufficient to pay the fixed charges, operation and maintenance of a line to the local exchange limits, and also be sufficient to cover the substation operation and maintenance charges; and that the excess costs to be assessed against the subscriber consist of the operation, maintenance and fixed charges upon the investment connecting the telephones with a circuit extended to the local exchange limits. We are of the opinion that this procedure will result in an equitable rate determination for the case at hand. From such data as we have available we have computed that the costs of reproduction of the circuit in question, excluding a prorate of that portion of the line upon which a second circuit is attached, is approximately \$965. The applicant has furnished us with a statement of the maintenance expense on this line for the past five and one-half years, which shows that the average maintenance cost per year is about \$50.00. This amounts to about 5 per cent. upon the cost of reproduction of the line. It appears reasonable to allow in addition to this, interest and depreciation at 15 per cent., giving a total for interest, depreciation, operation and maintenance of 20 per cent. per year. Twenty per

cent. of \$965 amounts to approximately \$192.50 as the total yearly charge. This figure checks fairly closely with the cost of \$15.00 per circuit mile (as applied to the 12 miles of circuit herein involved) which the Commission has computed from the average results of a number of valuations of rural systems. In addition to the above costs there is to be included the amount of revenue which would be derived by the application of the local four-party rate to the four telephones attached to this line. It appears that the Price County Telephone Company has no four-party business or residence rate on file, but from a perusal of the schedules it would seem that a rate of \$1.25 per 'phone, per month, would be about correct for this service. Four telephones at \$1.25 per month, or \$15.00 per year, would amount to \$60.00 per year, which combined with the \$190 of pole line and wire maintenance cost gives a total of \$250. To meet this cost at the present time the total revenues available are as follows:

Monthly rates, per year.....	\$108 00
Other line tolls at 10 cents per message, per year.....	20 00
Commissions on long distance tolls, approximately, per year..	37 00
<hr/>	
TOTAL	\$165 00

These computations do not take into account either the operation and maintenance and fixed charges of the booth installed at Lugerville or the revenue derived therefrom, it being considered that the one will approximately offset the other when all of the costs are considered. It is our opinion that for the purposes of this case 50 per cent. of the commissions on long distance tolls originated upon the line should be excluded from consideration in the above total inasmuch as it appears that it would cost at least this amount to perform the labor and collection incident thereto.

Making this correction results in a reduction of revenues of \$18.50, thus bringing the total revenues to \$146.50.

We believe it to be evident from the above figures that

C. L. 86]

the applicant is entitled to an increase in revenues from this line to the amount of approximately \$103.50 per year.

The respondent claims that should the Commission find that an increase in revenues is necessary such increase should be brought about by the installation of a toll charge on messages from Phillips to Lugerville, which are at the present time on an unlimited basis. It contends that such a charge would not only relieve the financial situation, but would result in much more adequate service over this line, especially for handling of long distance messages. Under ordinary circumstances we believe that a toll charge should not be made upon a subscriber's line, but, since in the present instance the line in question is longer than ordinary and is used primarily for toll purposes, we are of the opinion that the contention of the respondents is a reasonable one. A toll charge of 5 cents per message on calls from Phillips to Lugerville appears equitable and will be authorized.

We have no definite data at hand to show that the revenues which will be realized from the placing in effect of this toll charge will be sufficient to meet the present deficit of \$103.50, and since the line in question has been built primarily for the convenience of the West Lumber Company we believe that that company should be required to guarantee the full amount of the costs incident to the maintaining of the circuit. The order in this case will accordingly provide that the West Lumber Company guarantee a return upon the line in question of \$250 per year and that the Price County Telephone Company credit to the account of the West Lumber Company all other line toll charges on messages incoming to the line, 50 per cent. of all commissions on long distance tolls originating upon the line, the rentals of all telephones connected to the line not in the control of the West Lumber Company, and all tolls originating at Phillips to be provided by the terms of this order, except that these credits should not operate to reduce the monthly rates below present rates.

It is, therefore, ordered, That the applicant, the Price

County Telephone Company, be, and the same hereby is, authorized to suspend as far as they affect the West Lumber Company, the rates now in effect for the telephones upon the Phillips-Lugerville line, and in place thereof require the West Lumber Company to guarantee revenues therefrom to the amount of \$250 annually. The applicant shall keep detailed account of and shall credit to the account of the West Lumber Company, within the limits set out above:

1. All other line toll revenues on long distance toll messages incoming over this line.
2. Fifty per cent. of all commissions on long distance toll messages originated on this line.
3. All rentals received from telephones connected to the line not installed for the West Lumber Company. This rate is to continue at \$2.00 per month.
4. All toll charges provided for in the following section of this order.

It is further ordered, That a toll rate of 5 cents per call be established on all calls to subscribers on the line in question originated at the Phillips exchange.

Dated at Madison, Wisconsin, this twenty-ninth day of November, 1918.

In re APPLICATION OF UNITED TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE ITS RATES AT ALBANY.

U-974.

Decided November 30, 1918.

**Increase in Rates Authorized — 15 Per Cent. Allowed for Return,
Reserve for Depreciation and Taxes — Increase
in Switching Rate Denied.**

Applicant sought authority to increase its rates at its Albany exchange by from 20 per cent. to 50 per cent. Applicant stated the reproduction cost new of its property as of December 31, 1917, was \$16,409.64. The operating revenues for 1917 were \$4,402.83 and the operating expenses were \$2,764.97, leaving available for return, reserve for depreciation and taxes \$1,637.86.

C. L. 86]

Held: That taking into consideration applicant's need for increased revenues, the nature of the service rendered and the traffic as reflected by a study of tables submitted, rates similar to those authorized by the Commission at applicant's Monticello exchange should be authorized for its Albany exchange;

That taking into consideration that 15 per cent. of the cost of the property should be available for interest, reserve for depreciation and taxes and after making an allowance for increases in operating expenses for 1918, the total amount of increased revenues which should be provided for was about \$1,050;

That the value of the property as submitted by the applicant, considering the number of subscribers served and the fact that practically all local service was individual line in character, was reasonable, and might legitimately be used as a basis for computing reserve for depreciation and interest allowances;

That the switching rate at Albany should not be increased beyond the rate established for Monticello, inasmuch as part of the costs of the switching service per switched subscriber varied inversely with the number of subscribers per line and it appeared that the actual unit costs of the service at Albany would not exceed the costs found at Monticello.

OPINION AND DECISION.

Application in the above-entitled matter was filed with the Commission September 10, 1918, by the United Telephone Company of Monroe, Wisconsin. Said company owns and operates telephone exchanges at Monticello, Albany, Blanchardville and Monroe, all in the State of Wisconsin, in addition to certain local toll lines between these and adjacent communities. This application relates to the Albany exchange. It represents among other things that the present lawful rates and charges of this exchange are:

Business Subscribers:

One-party, wall telephone, per month.....	\$1 50
One-party, desk telephone, per month.....	1 75

Residence Subscribers:

One-party, wall telephone, per month.....	1 00
One-party, desk telephone, per month.....	1 25

Rural Subscribers:

Per month	1 50
-----------------	------

Switched Companies:

Per subscriber, per year.....	5 00
-------------------------------	------

Extensions, Business or Residence:

Complete set, wall or desk, per month.....	50
Talking set only, per month.....	25
Bell (6 inch gong), per month.....	15
Bell (3 inch gong), per month.....	10
Generator, per month.....	10
Extension from business to residence in the same building and for the use of the same subscriber, per month.....	75

Joint User:

Business, privilege of service, per month.....	1 00
Residence, privilege of service, per month.....	50

Excess Radius Charge, Private Line:

First quarter mile outside city limits, per month.....	50
Each additional quarter mile or fraction thereof, per month.....	25

Private Line:

Private line service not connected with the exchange:	
Each instrument or substation, per month.....	50
Each quarter mile of line or fraction thereof, per month.....	50

Special Rates:

Charitable institutions, churches, etc., per month.....	1 00
---	------

Miscellaneous Monthly Charges:

Push buttons	5
Buzzer	10
Magneto hand generator.....	15
Switches (cam lever or knife).....	5
Adjustophone with desk set.....	15
Equipoise with desk set.....	15
Auxiliary receivers	5

Moves:

Moving telephone from one building to another.....	2 00
Moving telephone to a different location in the same build- ing or to a building where no outside work is required....	1 00

Petitioner alleges that its income under the present rates is not sufficient to allow for a reasonable return upon the capital invested and asks for authority to place in effect the following increased rates:

Business Subscribers:

One-party, wall telephone, per month.....	\$2 00
One-party, desk telephone, per month.....	2 25

Residence Subscribers:

One-party, wall telephone, per month.....	1 50
One-party, desk telephone, per month.....	1 75

C. L. 86]

Switched Companies:

Per subscriber, per year.....	6 00
-------------------------------	------

Extensions, Business or Residence:

Generator, per month.....	15
---------------------------	----

Special Rates:

Charitable institutions, churches, etc., per month.....	1 50
---	------

Other rates now in effect to remain unchanged.

Hearing in this matter was held October 9, 1918, at Madison, Wisconsin. Appearances were *J. A. Pratt, P. J. Weirich* and *S. E. Burke*, all on behalf of the United Telephone Company. There were no appearances in opposition.

The Albany exchange provides magneto metallic service upon an unlimited basis to 31 business, 180 residence, and 66 rural subscribers, and performs switching service for 128 rural subscribers of the Attica Mutual Telephone Company. The business and residence subscribers have single party service; the rural subscribers are served by a total of 7 circuits; and the Attica Mutual Telephone Company has 10 metallic circuits connected to the exchange. Four toll lines are connected with the exchange.

The Commission issued on July 31, 1918, a decision and order* in an application brought before it by the United Telephone Company requesting authority to increase rates at its Monticello exchange. Inasmuch as the application now before us involves some questions which were treated rather completely in the Monticello case, it will be possible to dismiss a few subjects with but little discussion here. Among such subjects may be included the methods of apportioning costs to various classes of service, the Commission's attitude relative to granting a differential between the rates for wall telephones and desk telephones and a discussion of factors to be considered in the establishing of proper switching charges for connecting companies.

* See Commission Leaflet No. 81, p. 1142.

VALUE OF PROPERTY.

Applicant submitted a statement of annual additions and removals of property made at the Albany exchange from June 30, 1902, to December 31, 1917. This statement indicates that the Albany exchange had a cost new of \$16,409.64 as of December 31, 1917. After a careful checking of this value in the light of the number of subscribers served, giving consideration to the fact that practically all local service is individual line in character, we are of the opinion that the value submitted is reasonable and may legitimately be used as a basis for computing depreciation and interest allowances.

REVENUES AND EXPENSES.

Operating revenues and expenses exclusive of taxes and depreciation were reported by applicant as follows:

TABLE I.

OPERATING REVENUES AND EXPENSES OF THE ALBANY EXCHANGE FOR THE YEARS ENDING DECEMBER 31, 1914 TO 1917, INCLUSIVE.

(As given in Applicant's Exhibit No. 3.)

Classification	Year Ending December 31,			
	1914	1915	1916	1917
<i>Operating Revenues:</i>				
Local exchange earnings	\$2,186 51	\$2,333 78	\$2,462 90	\$3,796 39
Rural line earnings	832 95	904 50	1,024 70	.....
Earnings from switched lines ..	570 38	576 62	582 07	583 34
Toll earnings	52 60	42 73	28 09	23 10
TOTAL OPERATING REVENUES	\$3,642 44	\$3,857 63	\$4,097 76	\$4,402 83
<i>Operating Expenses:</i>				
Central office expenses	\$1,081 83	\$1,084 11	\$1,190 88	\$1,899 16
Wire plant expenses	353 83	381 38	165 99	249 67
Substation expenses	242 84	339 65	335 67	118 38
Commercial expenses	34 67	88 69	100 84	.....
General expenses	636 19	623 87	532 43	497 76
Undistributed expenses	48 36	81 45	97 25	.....
	\$2,398 52	\$2,599 15	\$2,423 06	\$2,764 97
Available for interest, depreciation and taxes	\$1,243 92	\$1,258 48	\$1,674 70	\$1,637 86

C. L. 86]

The distribution of operating revenues and expenses as shown for 1917 is admittedly in error. A more nearly correct statement of the distribution would be as follows:

Operating Revenues:

Local exchange earnings.....	\$2,608 39
Rural line earnings.....	1,188 00
Earnings from switched lines.....	583 34
Toll earnings	23 10

TOTAL OPERATING REVENUES	<u>\$4,402 83</u>
--------------------------------	-------------------

Operating Expenses:

Central office expenses.....	\$1,251 15
Wire plant expenses.....	335 66
Substation expenses	342 03
Commercial expenses	83 50
General expenses	668 02
Undistributed expenses	84 61

TOTAL OF ABOVE EXPENSES	<u>\$2,764 97</u>
-------------------------------	-------------------

Available for interest, depreciation and taxes.....	\$1,637 86
---	------------

On a value of \$16,409.64, the sum available for interest, depreciation and taxes of \$1,637.86, amounts to slightly less than 10 per cent. We are of the opinion that about \$2,461.45, or 15 per cent. of the cost of the property, should be available for these purposes. It appears, therefore, that the earnings for the year 1917 failed to yield an adequate return by \$823.59.

Consideration should be given to increases in the cost of furnishing service above the 1917 cost, especially as to central office operating labor. The total amount of increased revenues which it appears reasonable to provide for at this time is about \$1,050.

Analyses of the traffic, line and subscriber data appear in TABLES II., III. and IV. respectively.

TABLE II.

TRAFFIC ANALYSIS OF THE UNITED TELEPHONE COMPANY'S ALBERT EXCHANGE BASED ON A 24-HOUR STUDY MADE OCTOBER 4, 1918.

Classes Calling	Classes Called								
	Local Residence			Local Business			Rural		
	Number of Calls	Weighting Coefficient	Weighted Calls	Number of Calls	Weighting Coefficient	Weighted Calls	Number of Calls	Weighting Coefficient	Weighted Calls
Local residence.....	245	1.00	245	126	1.00	126	62	1.50	93
Local business.....	75	1.00	75	55	1.00	55	12	1.50	18
Rural.....	33	1.50	50	25	1.50	37	35	2.00	70
Switched (all lines metallic).....	62	1.50	93	21	1.50	32	32	2.00	64
Toll*.....									
Local and long distance.....	12	2.33	28	16	2.25	36	6	3.00	18
Local.....	8	2.00	16	12	2.00	24	6	3.00	18
Long distance.....	4	3.00	12	4	3.00	12	0	4.50	0
All classes weighted calls.....			491			286			263
Intra-line and operator weighted calls apportioned.....			15			3			27
Total originating weighted calls.....			506			289			290
Total terminating weighted calls.....			681			442			332
TOTAL ORIGINATING AND TERMINATING WEIGHTED CALLS.....			1,187			731			622
Per cent., including toll.....			29.77			17.86			15.28
Per cent., excluding toll.....			35.21			21.09			18.45

* Tickets.

C. L. 86]

TABLE II — Continued

Classes Called — Continued												
Classes Calling	Toll											
	Switched (All Lines Metallic)			[Totally Local and Long Distance			Local			Long Distance		
	Number of Calls	Weighting Coefficient	Weighted Calls	Number of Tickets	Weighting Coefficient	Weighted Calls	Number of Tickets	Weighting Coefficient	Weighted Calls	Number of Tickets	Weighting Coefficient	Weighted Calls
Local residence.....	61	1.50	92	9	12.22	110	5	10.00	50	4	15.00	60
Local business.....	11	1.50	16	22	12.50	275	1	10.00	110	11	15.00	165
Rural.....	32	2.00	64	7	12.00	84	7	12.00	84	0	17.00	0
Switched (all lines metallic).....	74	2.00	148	10	13.00	130	8	12.00	96	2	17.00	34
Toll *												
Local and long distance.....	6	3.00	18	.....	.....	.....	.....	.....	.....	.....	.....	.....
Local.....	6	3.00	18	.....	.....	.....	.....	.....	.....	.....	.....	.....
Long distance.....	0	4.50	0	.....	.....	.....	.....	.....	.....	.....	.....	.....
All classes weighted calls.....	.....	.....	338	.....	.....	599	.....	.....	340	.....	.....	259
Intra-line and operator weighted calls apportioned.....	.....	.....	13	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total originating weighted calls.....	.....	.....	351	.....	.....	599	.....	.....	340	.....	.....	259
Total terminating weighted calls.....	.....	.....	490	.....	.....	100	.....	.....	76	.....	.....	24
TOTAL ORIGINATING AND TERMINATING WEIGHTED CALLS.....	.....	.....	831	.....	.....	699	.....	.....	416	.....	.....	283
Per cent., including toll.....	.....	.....	20.42	.....	.....	17.17	.....	.....	10.22	.....	.....	6.95
Per cent., excluding toll.....	.....	.....	24.65	.....	.....	.....	.....	.....	.....	.....	.....	.....

* Tickets.

† The figures under "Total Local and Long Distance" are the sum of the next two divisions, "Local" and "Long Distance," which divisions are accorded in carrying totals to the column, "All Classes of Weighted Calls."—Ed.

TABLE II — Concluded

Classes Calling	Classes Called — Concluded					
	Intra-line			Operator		
	Number of Calls	Weighting Coefficient	Weighted Calls	Number of Calls	Weighting Coefficient	Weighted Calls
Local residence.....	0	0	0	19	0.8	15
Local business.....	0	0	0	4	0.8	3
Rural.....	38	0.6	23	4	1.0	4
Switched (all lines metallic).....	11	0.6	7	6	1.0	6
Toll *.....						
Local and long distance.....						
Local.....						
Long distance.....						
All classes weighted calls, Intra-line and operator weighted calls apportioned.....			30			28
Total originating weighted calls.....						
Total terminating weighted calls.....						
TOTAL ORIGINATING AND TERMINATING WEIGHTED CALLS.....						
Per cent., including toll.....						100
Per cent., excluding toll.....						100
						2,035
						2,035
						4070
						100
						100

*** Tickets.**

C. L. 86]

TABLE III.

LINE ANALYSIS, UNITED TELEPHONE COMPANY'S ALBANY EXCHANGE, BASED ON
LINES REPORTED SEPTEMBER 30, 1918.

<i>Class of Lines</i>	<i>Number of Lines</i>		<i>Per Cent. to Total Used for Apportionment Purposes</i>
	<i>Actually in Use</i>	<i>Used for Apportionment Purposes</i>	
Local business lines	31	31	13.30
Local residence lines	180	180	77.28
Rural lines	7	7	3.00
Switched lines (all metallic)	10	11	4.72
Toll lines	4	4	1.72
	232	232	100.00

TABLE IV.

SUBSCRIBER ANALYSIS, UNITED TELEPHONE COMPANY'S ALBANY EXCHANGE,
BASED ON SUBSCRIBERS REPORTED SEPTEMBER 30, 1918.

<i>Class of Subscribers</i>	<i>Number of Subscribers</i>	<i>Per Cent. of Total</i>
Local business subscribers	31	7.66
Local residence subscribers	180	44.44
Rural subscribers	66	16.30
Switched subscribers (all on metallic lines)	128	31.60
TOTAL	405	100.00

Taking into consideration applicant's need for increased revenues, the nature of the service rendered and the traffic as reflected by the study summarized in TABLE II., we are of the opinion that rates similar to those authorized by us recently for applicant's Monticello exchange should be authorized for its Albany exchange.

Applicant performs switching service for but one company at Albany, namely the Attica Mutual Telephone Company. Said company has 128 subscribers on 10 lines, or an average of 12.8 subscribers per line. At Monticello the switched companies had 125 subscribers on 19 lines, or an average of 6.6 subscribers per line. Inasmuch as part of the costs of the switching service per switched subscriber vary inversely with the number of subscribers per line it

appears that the actual unit costs of this service at Albany will not exceed the costs found at Monticello. TABLE V. summarizes data which we believe show that it would be unfair to increase the switching rate at Albany beyond the rate established for Monticello, which it will be recalled was determined by very detailed apportionments of the costs involved.

TABLE V.

COMPARING RATES EMPLOYED TO APPORTION COSTS TO SWITCHED COMPANIES AND OTHER DATA OF THE MONTICELLO AND ALBANY EXCHANGES.

<i>Classification</i>	<i>Monticello Exchange Per Cent.</i>	<i>Albany Exchange Per Cent.</i>
Traffic ratios:		
Including toll	21.12	20.42
Excluding toll	26.32	24.65
Line ratio	10.38	4.72
Subscriber ratio	43.25	31.60
Operating expenses excluding depreciation and taxes for 1916.....	\$2,310 53	\$2,423 06

It is, therefore, ordered, That the applicant, the United Telephone Company, be, and the same hereby is, authorized to substitute for its present rates at the Albany exchange, the following amended schedule:

Business, one-party, wall or desk set, net, per month.....	\$2 15
Residence, one-party, desk set, net, per month.....	1 65
Residence, one-party, wall set, net, per month.....	1 50
Rural, metallic line, party service, desk set, net, per month....	1 65
Rural, metallic line, party service, wall set, net, per month....	1 50
Connecting companies, switching service, net, per month.....	5 00
Extension, business, complete set, net, per month.....	60
Extension, residence, complete set, net, per month.....	50
Extension, talking set only, net, per month.....	25
Extension bell (6-inch gong), net, per month.....	15
Extension bell (3-inch gong), net, per month.....	10
Extension generator, net, per month.....	15
Joint user, business, privilege of service, net, per month....	1 00
Joint user, residence, privilege of service, net, per month....	50
Excess radius, private line, first quarter mile outside city limits, net, per month.....	50
Excess radius, private line, each additional quarter mile or fraction thereof, net, per month.....	25

C. L. 86]

Private line, service not connected with the exchanges, each instrument or subscriber, net, per month.....	50
Private line, service not connected with the exchanges, each quarter mile of line or fraction thereof, net, per month....	50
Charitable institutions, churches, etc., same as residence rate.	
Miscellaneous:	
Push buttons, net, per month.....	05
Buzzer, net, per month.....	10
Magneto or hand generator, net, per month.....	15
Switches (cam lever or knife), net, per month.....	05
Adjustophone, net, per month.....	15
Equipoise, net, per month.....	25
Auxiliary receivers, net, per month.....	05
Moves within village limits, from one building to another building, per month.....	2 00
Moves within village limits, from one location to another within the same building or to another building when no outside work is required, net, per month.....	1 00
Moves outside village limits, actual cost to the company.	

It is further ordered, That all rules and other regulations now in effect including such as relate to the time and manner of payment shall be continued in full force and effect as heretofore, except in such particulars as they may conflict with the provisions of this order.

Dated at Madison, Wisconsin, this thirtieth day of November, 1918.

In re APPLICATION OF TWIN CITY TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-975.

Decided December 2, 1918.

**Increase in Rates Authorized — Approximately 8 Per Cent. Fixed for
Rate of Return — Allowance for Reserve for Depreciation Approved
— Differentials in Rates Found Inequitable — Contemporaneous
Grounded and Metallic Rural Rates Authorized — Elimination
of Special Rate for Silent Calling Rural Service
Authorized — Rate for Rural Metallic Service
Fixed.**

Applicant sought authority for an increase in rates. Applicant's exchange provides service to the cities of Prairie du Sac and Sauk City

and the adjacent rural territory. All local service is over metallic circuits and until recently all rural circuits were grounded. Local subscribers have a choice of straight ringing, automophone or harmonic ringing service while rural subscribers have a choice of straight ringing or silent call service.

The reproduction cost new as of December 31, 1917, was \$28,457, which the Commission adopted as the value, in the absence of data as to improvements since 1917, and assuming that all circuits were grounded. There will be an increase in wages and in the cost of materials used for maintenance purposes. The company's operating revenues had averaged about \$15.00 per telephone for 1916, 1917 and 1918. Its expenses, exclusive of reserve for depreciation and taxes for 1918, were estimated at \$1.77 per telephone above the average of the expenses for 1916 and 1917. Proposed rates would give an increase in revenues of approximately \$1,000. Present rates yield a gross income of \$1,497.73 or a return of 5.25 per cent. In 1916 applicant charged to reserve for depreciation \$1,983.10, in 1917, \$1,769.68 and in 1918, \$1,877.39.

Held: That to net a return of 8 per cent., it would be necessary to increase the estimated gross income for the current year by \$778.83, and an increase in rates which would yield a revenue of \$727.50 would be authorized;

That the differentials which were provided between the rates for the various classes of service were not as equitable as they should be;

That a special rate for silent calling rural service might be eliminated, inasmuch as there were only 7 subscribers receiving this kind of service at the present time, and they did not appear to be satisfied with it;

That the company should metallicize practically all of its rural circuits in order to get rid of noises on its lines, and although the Commission did not have available data whereby the exact amount of these additional costs could be ascertained, an annual rate for rural subscribers receiving metallic service of \$3.00 above the annual suggested rural rate for grounded service would meet such additional costs;

That since 50 per cent. of all the circuits were already metallicized the company should be authorized to have grounded and metallic rates in effect in its exchange contemporaneously, the metallic rates to be applicable to rural subscribers on metallic circuits notwithstanding the Commission's holding in previous decisions that rates for metallic service should not go into effect for any subscribers until all circuits had been made metallic;

That the Commission would not make an order compelling applicant to metallicize lines, but the Commission's service department would make periodical inspections of the service rendered;

That the amounts charged by applicant to operating expenses for reserve for depreciation in 1916, 1917, and 1918 appeared on the whole reasonable and adequate.

C. L. 86]

OPINION AND DECISION.

This petition was filed with the Commission July 8, 1918, by the Twin City Telephone Company of Prairie du Sac, Wisconsin, and sets out, among other things, that the company has in effect at the present time the following schedule of rates:

RATES PER YEAR.

LOCAL EXCHANGE SERVICE.

Rural Telephones:

Business, straight ringing.....	\$15 00
Business, silent call.....	16 00
Residence, straight ringing.....	13 50
Residence, silent call	14 50

Village Telephones:

Business, one-party, straight ringing.....	17 00
Business, two-party, straight ringing.....	14 00
Business, one-party, automophone.....	18 00
Business, two-party, harmonic ringing.....	15 00
Residence, one-party, straight ringing.....	15 00
Residence, two-party, straight ringing.....	13 00
Residence, four-party, straight ringing.....	12 00
Residence, one-party, automophone.....	16 00
Residence, two-party, harmonic ringing.....	14 00
Residence, four-party, harmonic ringing.....	13 00
Extension telephones (talking set only).....	6 00
Extension bells	3 00

SERVICE WITH FOREIGN EXCHANGES.

No. 1 Class of Service:

The above flat rates entitle subscribers to elect in addition to the service of the Prairie du Sac and Sauk City exchanges, unlimited service over one of the four toll lines connecting the applicant's exchange to the following foreign exchanges: Mazomanie, Lodi, Plain and Loganville.

No. 2 Class of Service:

Subscribers who elect in addition to No. 1 class of service, unlimited service over a second one of the above toll lines shall be charged at the rate of \$1.60 per year in addition to the rate for the No. 1 class of service.

No. 3 Class of Service:

Subscribers who elect unlimited service over all four of the above toll lines in addition to the local exchange service shall be charged at the rate of \$2.40 per year in addition to the rate for No. 1 class of service.

RULES.

Election of class of service and toll lines shall be made six months in advance for all subscribers.

Non-subscribers shall be charged at the rate of 10 cents per call.

TOLL RATES.

Toll charges as follows are made over each of the four above-mentioned toll lines for such calls as do not come under the above schedule in flat rates:

Prairie du Sac and Sauk City to Lodi.....	10 cents
Prairie du Sac and Sauk City to Mazomanie.....	10 cents
Prairie du Sac and Sauk City to Plain.....	10 cents
Prairie du Sac and Sauk City to Loganville.....	15 cents

The above toll rates shall not affect the extent of the service now being rendered to the Twin City Telephone Company (formerly the Troy and Honey Creek Telephone Company) by the foreign companies whose exchanges are listed above.

Alleging that the present rates do not yield a sufficient return to provide adequately for interest and depreciation, the petitioning company asks for authority to place in effect the following schedule of increased rates: "

RATES PER QUARTER.

LOCAL EXCHANGE SERVICE.

Rural Telephones:

Business, straight ringing.....	\$4 50
Business, silent call	4 75
Residence, straight ringing.....	4 25
Residence, silent call.....	4 50

Village Telephones:

Business, one-party, straight ringing.....	5 00
Business, two-party, straight ringing.....	4 00
Business, one-party, automophone.....	5 75
Business, two-party, harmonic ringing.....	4 50
Residence, one-party, straight ringing.....	4 25
Residence, two-party, straight ringing.....	3 75
Residence, four-party, straight ringing.....	3 25
Residence, one-party, automophone.....	4 75
Residence, two-party, harmonic ringing.....	4 00
Residence, four-party, harmonic ringing.....	3 75
Extension telephone (talking set only).....	1 50
Extension bells	75

C. L. 86]

A reduction of 50 cents per quarter for grounded line service shall be made from the above rates.

All rates quoted above are net. Subscribers may be billed at 60 cents per quarter in addition, which shall be deducted from the bill when payment is made on or before the fifteenth of the month in which the same falls due.

Hearing in this matter was held August 6, 1918, at Madison, Wisconsin. Appearances were: *J. A. Pratt* and *J. E. Witwen* on behalf of the Twin City Telephone Company and *U. D. Mather* in his own behalf and for others similarly situated.

It appears from the testimony that petitioner desires to continue in effect all present rates and rules not included in its proposed rate schedule, thus removing any doubts which might arise from reading the petition as to whether petitioner intended to curtail free service to neighboring foreign exchanges.

Applicant's exchange provides telephone service to the cities of Prairie du Sac and Sauk City and the adjacent rural territory. The central office is located midway between the two cities, the distance between them being approximately one mile. Applicant has a 300-line capacity magneto switchboard with a total of 191 lines assigned. All local service is over metallic circuits, while until recently all rural circuits were grounded. Local subscribers have a choice of straight ringing, automophone or harmonic ringing service, while rural subscribers have a choice of straight ringing or silent call service. Exhibits submitted show a total of 560 subscribers, of which number 98 are local business, 173 are local residence, and 289 are rural.

The assets and liabilities of the Twin City Telephone Company, as of December 31, 1917, according to its annual report, were as follows:

<i>Assets.</i>	
Cost of plant at end of year.....	\$30,151 73
Cash on hand.....	1,159 65
Accounts receivable	1,015 46
Deficit	384 83
	<hr/>
	\$32,711 67

Liabilities.

Capital common stock.....	\$22,080 00
Depreciation reserve	8,631 67
Notes and bills payable.....	2,000 00
	<hr/>
	\$32,711 67

An appraisal made by us of applicant's property as of June 30, 1913, placed the cost new of the property at \$36,281. Of this amount \$9,798 represented equipment which has since been sold. This leaves the cost new of such property as is still retained by the company, and which was included in our appraisal, at \$26,483. Combining with this amount the net additions as set forth in applicant's annual reports to the Commission, which amount to \$1,974, we obtain a cost new for applicant's plant as of December 31, 1917, of \$28,457. We have no record of additions made since December 31, 1917, but understand that some improvements have been made, especially in the direction of metalizing rural lines for the purpose of overcoming serious inductive disturbances on certain lines which have lately been paralleled in some places by high tension power circuits of two electric power companies. If we were to assume that all rural circuits are grounded, \$28,457 would probably be a fair value upon which to base a return.

Applicant's financial condition is fairly well set out by the data in TABLE I.

TABLE I.
REVENUES AND EXPENSES.

<i>Classification</i>	<i>Seven Months Ended July 31, 1918</i>	<i>Year Ended December 31, 1918 (Estimated)</i>	<i>Year Ended December 31, 1917</i>	<i>Year Ended December 31, 1916</i>
<i>Operating Revenues:</i>				
Subscribers' telephone earnings..	\$4,449 73	\$7,627 23	\$7,370 44	\$6,935 84
Non-subscribers' telephone earnings.....	.....	.....	.....	.....
Switching service earnings.....	.....	.....	.....	.....
Earnings from local toll lines.....	.....	.....	.....	.....
Commission on long distance toll.....	552 62	947 35	727 62	870 48
TOTAL OPERATING REVENUES	\$5,002 35	\$8,574 58	\$8,098 06	\$7,806 32
<i>Operating Expenses:</i>				
Central office expense.....	\$833 62	\$1,429 16	\$1,175 04	\$1,184 68
Wire plant expense.....	283 12	485 35	216 12	93 95
Substation expense.....	677 86	1,162 04	969 94	532 99
Commercial expense.....	282 88	484 94	332 30	383 92
General expense.....	628 94	1,078 18	904 72	1,019 43
Undistributed expense.....	211 88	363 22	241 89	632 02
TOTAL OF ABOVE ITEMS.....	\$2,918 30	\$5,002 89	\$3,840 01	\$3,846 99
Depreciation.....	1,095 15	1,877 39	1,769 68	1,983 10
Taxes.....	282 62	282 62	260 01	273 91
TOTAL OPERATING EXPENSES.	\$4,296 07	\$7,162 90	\$5,869 70	\$6,104 00
Net operating revenues.....	\$706 28	\$1,411 68	\$2,228 36	\$1,702 32
Non-operating revenues.....	86 05	86 05	76 18	65 13
GROSS INCOME.....	\$792 33	\$1,497 73	\$2,304 54	\$1,767 45

The figures for the years ended December 31, 1916 and 1917, are taken from applicant's annual reports to the Commission. The figures for the seven months ended July 31, 1918, are taken from an exhibit presented by applicant subsequent to the hearing. The figures for the year ended December 31, 1918, are estimates based on the data of the seven-month period ended July 31, 1918. It will be noted that we have not prorated the items for taxes or non-operating revenues as given for the seven-month period in order to arrive at an estimate of the amount of these items for the full year. This is to correct an apparent error in applicant's exhibit.

The expenses as estimated for the year ended December 31, 1918, take into consideration such increased costs as applicant alleges have necessarily occurred. They include increases of \$15.00 per month apiece in the wages to the general manager and the chief lineman and some increases in the aggregate wages for operating labor, as well as in materials used for maintenance purposes. The extent of these miscellaneous increases become more evident from a unit cost analysis. TABLE II. shows the operating revenues and expenses, exclusive of taxes and depreciation, per telephone for the current year based upon seven months, and for the years 1916 and 1917 as reported by the utility.

TABLE II.
REVENUES AND EXPENSES PER TELEPHONE.

Classification	Years Ending December 31		
	1918	1917	1916
Total operating revenues.....	\$8,574 00	\$8,098 00	\$7,806 00
Total operating expenses exclusive of depreciation and taxes.....	5,003 00	3,840 00	3,847 00
Number of telephones.....	560	547	522
Total operating revenues per telephone.....	15 30	14 80	15 10
Total operating expenses exclusive of depreciation and taxes per telephone.....	8 95	7 02	7 35

It will be noted that the company's operating revenues have been fairly constant and have averaged about \$15.00 per telephone for the three years. Its expenses, exclusive of depreciation and taxes for the year 1918, as estimated are, however, \$1.77 per telephone above the average of these expenses for the years 1916 and 1917. With 560 telephones the total increase is \$990. Of this amount \$360 will be used in paying the increased wages to the chief lineman and the general manager. The balance, \$630, is caused by increases in the cost of operating labor and of materials used in maintaining equipment.

C. L. 86]

The amounts charged by applicant to operating expenses for depreciation in the various years, as indicated in TABLE I., appear on the whole reasonable and adequate.

If a value of \$28,457 be ascribed to applicant's property, the gross income for the current year of \$1,497.73, as shown in TABLE I., would net a return of 5.25 per cent. To net a return of 8 per cent. it would be necessary to increase the estimated gross income for the current year by \$778.83.

The increased revenues which would result were the rates proposed by the applicant placed in effect, assuming that there would follow no loss of subscribers as a result of increasing the rates, amount to approximately \$1,000.

Considering applicant's need for increased revenues, it appears that its proposed rates are somewhat high. It also appears that the differentials which are provided between the rates for the various classes of service are not as equitable as they might be. The special rate for silent calling, rural service, might well be eliminated inasmuch as there are only 7 subscribers receiving this kind of service at the present time, and they do not appear to be satisfied with it according to the testimony. The Commission therefore suggests the following schedule in place of the one proposed by applicant:

SUGGESTED TELEPHONE RATES.

NET RATES PER YEAR.

Business:

Single party, straight ringing.....	\$20 00
Two-party, straight ringing.....	17 00
For automophone service add \$2.00 to the above rates, and for harmonic ringing service add \$1.00 to the above rates.	

Residence:

Single party, straight ringing.....	\$17 00
Two-party, straight ringing.....	15 00
Four-party, straight ringing.....	13 00
For automophone service add \$2.00 to the above rates, and for harmonic ringing service add \$1.00 to the above rates.	

Rural:

Rural, residence	\$14 00
Rural, business	15 00

The suggested rates when applied to the present number of subscribers, assuming that each subscriber retain the class of service which he is now receiving, will increase applicant's revenues by \$727.50. This will afford applicant approximately such relief as it appears entitled to, assuming that all rural service is grounded.

Due to serious inductance disturbances from paralleling high tension electric wires it has become necessary for applicant to make certain of its rural lines metallic. Complaints entered at the hearing lead us to believe that the company will be obliged to metallicize practically all of its rural circuits in order to get rid of noises on its lines. The costs incident to this reconstruction will greatly augment the present investment, especially if the work is paid for at the prices now prevailing. When all rural circuits have been changed from grounded to metallic construction the cost new of the property as of December 31, 1917, will be substantially increased, and the operating costs—especially the items of depreciation and interest—will be materially higher. To cover these added costs further increases in rates other than those appearing in our suggested schedule should be authorized.

Although we do not have available data whereby the exact amount of these additional costs may be ascertained, we are of the opinion that they will be sufficient to justify applicant's earning such increased revenues as would result by placing the annual rate for rural subscribers receiving metallic service \$3.00 above the suggested annual rural rate for grounded service.

Applicant has a total of 178 lines in use for local exchange purposes. Of these 151, or 84 per cent., are used by business and residence subscribers and are of full metallic construction. The remaining 27 lines are used by rural subscribers, and of these 5 have already been changed from grounded to full metallic construction. In order to completely overcome inductance disturbances, so far as this is possible, other and perhaps all of the remaining 22 rural lines will have to be made metallic shortly and, therefore,

C. L. 86]

it appears to us reasonable to make some provision for a rural rate on metallic lines at this time.

Having already decided upon a tentative differential between the rural rates for grounded and full metallic service, the question arises whether both rates shall be in effect contemporaneously. The Commission has in some previous decisions held that rates for metallic service should not go into effect for any subscribers until all circuits had been made metallic, on the ground that subscribers on any one line will have occasion to use every other line in the exchange, and until these other lines are metallic actually no subscriber is receiving full metallic service. Recently, however, due largely to war conditions, the Commission authorized a telephone utility to place metallic rates in effect as soon as 50 per cent. of the circuits were metallicized, the rates to apply to all subscribers on metallic circuits. We are of the opinion that this company should be authorized to have grounded and metallic rates in effect at its exchange contemporaneously, the metallic rates to be applicable to rural subscribers on metallic circuits. It has already been pointed out that more than 50 per cent. of all circuits are metallicized.

It is not deemed necessary to make any order compelling applicant to metallicize lines in connection with this decision. The Commission's service department will make periodic inspections of the service rendered by applicant, and upon the basis of these the Commission will issue such service orders, if any, as may appear necessary from time to time.

It is, therefore, ordered, That the Twin City Telephone Company be, and the same hereby is, authorized to place in effect the following rates:

	Quarterly Rates	
	Gross	Net
<i>Business:</i>		
Single party, straight ringing.....	\$5 60	\$5 00
Two-party, straight ringing.....	4 85	4 25
For automophone service add \$2.00 to the above rates, and for harmonic ringing service add \$1.00 to the above rates.		
<i>Residence:</i>		
Single party, straight ringing.....	4 85	4 25
Two-party, straight ringing.....	4 35	3 75
Four-party, straight ringing.....	3 85	3 25
For automophone service add \$2.00 to the above rates, and for harmonic ringing service add \$1.00 to the above rates.		
<i>Rural:</i>		
Subscribers on metallic lines, residence.....	4 85	4 25
Subscribers on metallic lines, business.....	5 10	4 50
Subscribers on grounded lines, residence.....	4 10	3 50
Subscribers on grounded lines, business.....	4 35	3 75

Subscribers shall be billed at the gross rate, but shall be given a discount of 60 cents if bill is paid during the first month of the quarter during which service is received; 40 cents if bill is paid during the second month of the quarter during which service is received, and 20 cents if bill is paid during the third month of the quarter during which service is received. Bills paid after the expiration of the quarter shall be payable at the gross rates.

It is further ordered, That all service with foreign exchanges, and all rules and toll rates now in effect and not specifically changed by this order, shall continue in full force and effect as heretofore, and that the rates herein authorized may be placed in effect for service on and after January 1, 1919.

Dated at Madison, Wisconsin, this second day of December, 1918.

C. L. 86]

in re APPLICATION OF BEAVER TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-976.

Decided December 2, 1918.

**Increase in Rates Authorized — Discount for Prompt Payment Approved
— \$8.00 per Telephone Necessary for Return and Reserve for
Depreciation — Margin for Maintenance Considered not
Excessive.**

OPINION AND DECISION.

The applicant in this case is a rural telephone company furnishing service in the vicinity of Colby, Wisconsin, and obtaining its switching service in part from the Colby exchange and in part from the exchange located at Spencer.

This application was filed with the Commission September 17, 1918, and sets forth that the legal rate of the applicant is \$1.00, per telephone, per month. This rate was established at a time when grounded service was furnished. The application states that the system has been rebuilt and all lines have been made metallic and that the rate does not yield sufficient return on the capital invested. Authority is therefore asked to substitute for the existing rate a rate of \$1.50 per month payable quarterly in advance and with a discount of 25 cents per quarter for payment on or before the tenth of the first month of the quarter for which the bill is rendered.

The last report of the Beaver Telephone Company shows that it had in operation 6 lines serving a total of 60 subscribers with not more than 12 subscribers on any one line. Since the date of that report, however, the system has been rebuilt.

This is a very small company which has made to the Commission a very condensed form of report and little will be gained by reviewing the statement of receipts and expenditures. The applicant has submitted an estimate of the cost of reproduction of the plant as it stood after rebuilding which indicated that the cost of reproduction is \$4,047, and the cost of reproduction less depreciation

\$3,402. It is stated that no subscriber is located within three miles of the village of Colby.

With the rate of \$1.00 per month and a total of 60 subscribers, the revenues will be \$720 per year from ordinary exchange service. Of this amount, \$4.20 per subscriber is paid to the Clark County Telephone Company for switching service. If the cost of reproduction of the plant is as estimated, \$4,047, the valuation per subscriber is about \$67.00. To meet the interest charges and depreciation on an investment of this amount would require not less than \$8.00 per subscriber and probably somewhat more than this amount. It is clear, therefore, that the two items of switching service and fixed charges require more than \$12.00 per subscriber per year. The proposed rate, if subscribers take advantage of the discount, amounts to \$17.00 per year. The margin above fixed charges and switching charges is between \$4.00 and \$5.00 per telephone, per year, and is not excessive to provide for the maintenance of the system. It is our conclusion, therefore, that the rate schedule as asked for should be authorized. The system is now in a position to furnish first class service and we do not believe that such service can be furnished at less than the rate applied for.

It is, therefore, ordered, That the applicant, the Beaver Telephone Company, be, and the same hereby is, authorized to discontinue its present rate of \$1.00 per telephone, per month, and to substitute a rate of \$1.50 per month, payable quarterly in advance and subject to a discount of 25 cents per quarter if payment is made on or before the tenth day of the first month of the quarter for which the bill is rendered.

Dated at Madison, Wisconsin, this second day of December, 1918.

C. L. 86]

In re APPLICATION OF LARSEN TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-984.

Decided December 12, 1918.

**Increase in Rates Authorized — Book Value Adopted — Approximately
14 Per Cent. for Reserve for Depreciation and Return Approved.**

OPINION AND DECISION.

The Larsen Telephone Company filed on September 17, 1918, an application for authority to increase its rates from \$1.25 a month per subscriber to \$1.50 a month, payments to be made quarterly in advance. The petitioner states that this increase in rates is desired and is necessary for the reason that operating expenses have been materially increased.

Hearing in the matter was held at Madison on October 14, 1918, at which the petitioner was represented by *Charles Christianson*, president. No one appeared in opposition.

The Larsen Telephone Company owns and operates a rural telephone system in the northern part of Winnebago County with its exchange located in the village of Larsen. The central office equipment consists of a 50-drop magneto switchboard. All of its circuits are full metallic. The company's report for the year ending December 31, 1917, shows a total of 395 subscribers. Of this number 244 are also stockholders in the company, or about 61 per cent. of its total number of subscribers. Of the so-called local subscribers, 6 are listed as business places and 18 as residences. The rural subscribers number 371, who receive service over 32 circuits, averaging 11.5 subscribers per circuit. In every case the number of subscribers per circuit is 12 or less. So far as service requirements are concerned the company's rural subscribers should be afforded very satisfactory service.

The exchange at Larsen is connected with the Wisconsin Telephone Company's exchange at Neenah by three cir-

cuits owned by the latter company. The Larsen Telephone Company pays the Wisconsin Telephone Company \$3.00 a year per subscriber for unlimited service with the subscribers of the Neenah exchange.

The following table shows the operating revenues and the operating expenses for the past three years as reported by the company in its annual reports.

COMPARATIVE INCOME STATEMENTS.

	Year Ending December 31		
	1915	1916	1917
<i>Operating Revenues:</i>			
Subscriber telephone earnings.....	\$5,655 20	\$5,796 50	\$5,901 63
Earnings from local and toll lines.....	83 90	11 80	23 15
Commissions on long distance toll.....	16 01	57 47	113 46
	<u>\$5,755 11</u>	<u>\$5,865 77</u>	<u>\$6,038 24</u>
<i>Operating Expenses:</i>			
Central office expense.....	\$1,164 08	\$1,204 36	\$1,328 53
Wire plant expense.....	527 35	856 83	844 30
Substation expense.....	1,859 27	1,821 84	1,896 46
General expense.....	362 18	343 48	379 14
Undistributed expense.....	57 08	67 07	81 54
TOTAL OF ABOVE ITEMS.....	\$3,969 96	\$4,293 58	\$4,529 97
Depreciation.....	845 20	850 89	852 08
Taxes.....	11 34	162 07	174 84
TOTAL OPERATING EXPENSES.....	\$4,826 50	\$5,306 54	\$5,556 89
Net operating revenue.....	\$928 61	\$559 23	\$481 35
Non-operating revenue.....	10 00	74 54	39 90
GROSS INCOME.....	\$938 61	\$633 77	\$521 25

The company's operating expenses for 1917, exclusive of depreciation and taxes, were \$4,529.97, or \$11.46 per subscriber. In this expense is included \$3.00 per subscriber paid to the Neenah exchange for unlimited service, which brings down the expense of operating the local system to \$8.46 per subscriber. This appears to us to be very reasonable and indeed favorable when compared with other systems and exchanges giving service of a similar character. At the present time the company has an arrange-

C. L. 86]

ment or contract covering the operation of the switchboard which expires in June, 1919. The family operating the switchboard receives 22 cents a month per telephone for this work. The operators pay the rent of the building, housing the switchboard, and also furnish light; the company pays for the fuel. Subscribers are furnished with 24-hour service. It is estimated by the company that in all probability it will be necessary to pay more for the labor incidental to the operation of the switchboard after the expiration of this agreement next spring. In the past the wages of the lineman were \$75.00 to \$80.00 a month. At the present time the lineman is receiving \$125 a month, or about \$540 a year more than was included in last year's operating expenses.

In estimating the expenses for a year's operation under present conditions we arrive at about \$5,244; this item is made up of \$4,529 operating expenses for 1917; increase in lineman's wages \$540; taxes \$175. In this estimate nothing is included for an anticipated increase in operators' compensation or other increases in the cost of materials and supplies which have occurred. The operating revenue for the year 1917 under the present rates was \$6,038.24. If we assumed this revenue to continue we conclude that the company would have about \$794 available for depreciation and interest after deducting the estimated operating expenses of \$5,244.

The value of the plant as reported for the year 1917 was \$14,285.62, or \$36.16 per subscriber. From the inventory of the property furnished to the Commission it appears that this amount is very conservative. In most companies in the State which can be used for purposes of comparison the investment or value of the property to serve an equal number of subscribers is a good deal higher. In using the company's book value as a rate base we feel that all doubts are resolved in favor of the public and the subscribers. In 1915 the company had available for depreciation and interest \$1,773.81 or 12.5 per cent. of the book value. In 1916 there was available \$1,410.12, or 9.9 per cent. In 1917

it amounted to \$1,333.43, or 9.3 per cent. In not any one of these years was the revenue sufficient to cover the necessary operating expenses and leave the company enough to meet the items of depreciation and interest. This coming year with the operating expenses estimated as above there will be but \$794 for depreciation and interest, or about 5.5 per cent. This is not quite sufficient to take care of depreciation, saying nothing of a return to the stockholders upon their investment. It is manifest from this that the revenue is insufficient and that an increase in subscribers' rates is justifiable.

In its application the company asks that its rates be raised from \$1.25 a month to \$1.50. This results in an increase of \$3.00 a year per subscriber, making the company's total increase in revenue \$1,185. We estimated that under present conditions of operation there would be left \$794 after operating expenses and taxes were paid. This proposed increase in revenue brings this amount up to \$1,979. We do not consider that this amount which would then be available for depreciation and interest is excessive, but will be just about enough to give the stockholders a fair return upon the value of the plant as carried on the company's books and provide the money to keep up the plant and give the subscribers the kind of service to which they are entitled.

The Commission finds that the rates charged at present by the applicant are inadequate in that they do not provide sufficient revenue to meet operating expenses, taxes, and depreciation, and leave a fair return upon the company's property. The rates proposed appear to be fair and reasonable and in our opinion should be authorized.

It is, therefore, ordered, That the Larsen Telephone Company be, and the same is hereby, authorized to discontinue its present schedule of rates and substitute for it the following:

Telephone rental \$1 50 per month
 Payable quarterly in advance.

Dated at Madison, Wisconsin, this twelfth day of December, 1918.

C. L. 86]

In re APPLICATION OF WESTFORD TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE SWITCHING RATES AT HUB CITY.

U-986.

Decided December 12, 1918.

**Increase in Switching Rate Authorized — Expense of Maintaining
Switchboard Ordered Paid by Connected Companies in Pro-
portion to Number of Connected Subscribers.**

OPINION AND DECISION.

The Westford Telephone Company filed an application with the Commission on August 10, 1918, requesting authority to increase its switching charges at the Hub City exchange. The annual switching charge at present is \$1.75 per subscriber. It is claimed by the applicant that the amount realized from said switching charges is inadequate and not sufficient to compensate in the future the operator who performs such switching services. The application seeks to put into effect a yearly rate of \$3.00 per subscriber payable quarterly, and requests that the connecting companies be obliged to bear their respective share of the expense of maintaining the switchboard, based on the number of subscribers that each company has connected directly to said switchboard.

Hearing in the matter was held at Madison, September 13, 1918, at which the Westford Telephone Company was represented by *Frank Rockweiler*, secretary and treasurer. No one appeared in opposition.

The Westford Telephone Company and the Hawkins Creek Telephone Company own jointly an exchange at Hub City, Richland County, to which are connected certain of their subscribers' circuits. The Westford company has three circuits with 31 subscribers, and the Hawkins Creek company has one circuit with 13 subscribers. In addition to the above circuits, the Shields Telephone Company has one circuit connected with 15 subscribers, and the Badger Telephone Company has one circuit with 6 subscribers. In

all there are 65 subscribers who receive service through the Hub City exchange.

The wages of the operator who performs this switching service is \$100 a year. In addition the operator is paid the commissions on toll messages originating at the exchange, which amount to about \$20.00 for a year's period. It is also estimated that the expenses incident to the maintenance of the exchange are about \$20.00. For the year beginning January 1, 1919, it is necessary that the wages of the operator be increased to \$200. In order to meet this increase the applicant proposes to raise the switching rate from \$1.75 to \$3.00 a year. The total revenue from this source based on the present number of subscribers will be \$195. If there is a deficiency the applicant proposes to make this up out of its toll commissions. It is further proposed that the maintenance expense be borne by the several companies in proportion to the number of subscribers each company has connected to the exchange.

The Commission finds that the revenue derived from the present switching rates is insufficient to meet the expenses of operating the exchange after the increase in operator's wages has been made, and that the proposed increase in switching rates and the method of apportioning maintenance charges is fair and reasonable.

It is, therefore, ordered, That the Westford Telephone Company be authorized to discontinue its present switching rate at the Hub City exchange and substitute for it an annual charge of \$3.00 per subscriber, payable quarterly. The Westford Telephone Company shall make the quarterly collections through the operator at Hub City acting as the company's agent.

It is further ordered, That the yearly expenses incident to the maintenance of the switchboard be borne by the Westford Telephone Company, the Hawkins Creek Telephone Company, the Shields Telephone Company and the Badger Telephone Company in proportion to the number of subscribers of each company connected directly to the Hub City exchange.

C. L. 86]

The switching rates as above ordered are to become effective January 1, 1919.

Dated at Madison, Wisconsin, this twelfth day of December, 1918.

In re APPLICATION OF ATTICA MUTUAL TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

U-987.

Decided December 13, 1918.

**Increase in Rural Rate Authorized — Outstanding Capital Stock Taken
as Company's Investment — 14 Per Cent. Estimated for Reserve
for Depreciation and Return.**

OPINION AND DECISION.

The Attica Mutual Telephone Company in its application states that its present rate is \$1.00 per month, payable quarterly, and requests authority to have it increased to \$1.25 per month, for the reason that the present rate does not yield sufficient revenue to meet all the necessary costs of operation and allow the stockholders a return upon their investment.

Hearing in the matter was held January 18, 1918, at which *Don S. Trow*, secretary, appeared for the applicant. No one appeared in opposition.

The Attica Mutual Telephone Company owns and operates a rural telephone system in the town of Albany, Green County, and adjacent towns. Switching service is obtained through the United Telephone Company's exchange at Albany. The applicant has 9 metallic circuits serving 118 subscribers, with an average of about 13 subscribers to a circuit. Of the 118 subscribers, 45 are stockholders in the company and 73 are non-stockholders. For this switching service obtained at the Albany exchange and for unlimited service with the Albany subscribers of the United Telephone Company the applicant pays \$5.00 a year per subscriber.

The income statements as shown in the company's annual reports for the past three years are set forth in the table below:

COMPARATIVE INCOME STATEMENTS.

	Year Ending December 31		
	1915	1916	1917
TOTAL OPERATING REVENUE	\$1,298 50	\$1,480 25	\$1,406 32
<i>Expenses:</i>			
Labor		\$264 06	\$420 35
Materials and miscellaneous items		681 67	1,080 34
Depreciation			234 00
Taxes		33 34	41 59
TOTAL OPERATING EXPENSES	\$1,052 32	\$979 07	\$1,776 28
Net operating revenue	\$246 18	\$501 18	*\$369 96

* Deficit.

It is to be noted that the company failed to make any provision for depreciation in any of these years except 1917. It also appears that the operating expenses for that year were probably abnormal. The capital stock outstanding is \$3,900, which may be taken as the company's investment. This indicates a unit investment of a little over \$33.00 per subscriber, which may be considered as reasonable, bearing in mind that all the circuits are metallic and that the company does not own any central office equipment. In estimating a year's operating expenses and interest charges we arrive at the following:

Estimated Cost of Operation.

Switching charges	\$590 00
Labor, materials and taxes	650 00
Depreciation and interest	546 00
TOTAL	\$1,786 00

The rate of \$1.25 a month as proposed by the applicant will bring in to the company an annual revenue of \$1,770.

C. L. 86]

This rate can not be regarded as unreasonable or excessive considering the above estimated costs.

The Commission finds that the revenue derived by the applicant under the present rates is inadequate, and that the rate proposed is fair and reasonable and will provide no more revenue than is necessary in order to afford the subscribers that quality and grade of service to which they are justly entitled.

It is, therefore, ordered, That the Attica Mutual Telephone Company be authorized to discontinue its present rate and substitute for it the rate of \$1.25 per month, payable quarterly.

Dated at Madison, Wisconsin, this thirteenth day of December, 1918.

In re APPLICATION OF WESTFORD TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-988.

Decided December 13, 1918.

Increase in Rural Grounded Circuit Rates Authorized.

OPINION AND DECISION.

On August 10, 1918, the Westford Telephone Company filed an application with the Commission for authority to increase its rate for telephone service from \$6.00 a year to \$9.00 for the reason that the increased cost of labor and materials make it impossible to operate under the rates charged at present.

A hearing in the matter was held. September 13, 1918, at which *Frank Rockweiler*, secretary-treasurer, appeared for the Westford Telephone Company. No one entered an appearance in opposition.

The Westford Telephone Company owns and operates a telephone system affording service to certain rural communities in the northeastern sections of Richland County and the northwestern sections of Sauk County. The exchanges of the company are located at Hub City and

Cazenovia, Richland County, and at Valton, Sauk County. The Hub City exchange is jointly owned by the Westford Telephone Company and by the Hawkins Creek Telephone Company. The Westford company has three grounded circuits connected to this exchange with 31 subscribers. The Commission in a recent order (*Application of the Westford Telephone Company for Authority to Increase its Switching Rates at Hub City**) authorized a \$3.00 switching rate to become effective January 1, 1919. At Valton there is an exchange owned jointly by the applicant and by the La Valle Telephone Company, the Woodland Telephone Company and the Wonewoc Telephone Company. The Westford company has connected to this exchange three grounded circuits with 24 subscribers, for which switching service an annual charge of \$72.00 is made. At Cazenovia the Westford company has three grounded circuits connected to the switchboard of the Cazenovia Telephone Company with 34 subscribers. The Cazenovia company receives now \$25.00 a year for performing this switching service. In the opinion of the applicant this amount will have to be increased quite materially in the near future. The actual costs of this switching service are evidently a good deal more than the amount paid would indicate.

The applicant is operating under an arrangement whereby the subscribers connected to the several exchanges own and maintain their instruments and furnish batteries whenever necessary. The company owns and maintains the lines and affords switching service through the several exchanges enumerated above.

The subscribers connected to the Hub City exchange are obliged to pay \$1.00 a year more for their service than are subscribers connected to the other two exchanges. In its application the Westford company seeks to put into effect a rate of \$9.00 for the subscribers of all three exchanges. This will increase the rate of subscribers connected to the Valton and Cazenovia exchanges \$3.00 a year and that of the Hub City subscribers but \$2.00.

* See *supra*, p. 833.

C. L. 86]

The annual revenue derived by the applicant from the proposed rate of \$9.00 would be \$801. According to the company's reports and statements it appears that operating expenses and taxes this coming year will be about \$650, leaving about \$150 available for depreciation and interest upon an investment of \$1,323 as carried on the company's books. There is some question as to the accuracy of the company's book value. From comparisons with other rural companies it would appear that this book value of \$1,323 was less than found in the average plant of this size and character. Considering the increased costs of operation, labor, materials and supplies it is evident that the present rate will not produce adequate revenue and we are convinced that the rate proposed in the company's application is fair and reasonable in and of itself, and will provide for no more revenue than is necessary to meet the costs of operation, depreciation and a fair return upon the company's property.

It is, therefore, ordered, That the Westford Telephone Company be authorized to discontinue its present rate of \$6.00 a year and substitute for it an annual rate of \$9.00.

Dated at Madison, Wisconsin, this thirteenth day of December, 1918.

In re APPLICATION OF BRANDON TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-992.

Decided December 17, 1918.

Increase in Business and Residence Rates Authorized — Failure to Consolidate Exchanges Considered Important on the Merits — 6 Per Cent. for Reserve for Depreciation Considered too High.

OPINION AND DECISION.

Application in this matter was made on August 27, 1918. The application sets forth, among other things,

(1) That the rates now in effect are as follows:

One-party, business line	\$2 00
Two-party, business line.....	1 50
One-party, residence line.....	1 50
Two-party, residence line.....	1 00

(2) That the expense of operating the exchange has increased 100 per cent. within the last year; also that the cost of materials has increased greatly, and

(3) That for the above reasons it now becomes necessary to increase the rates at present in effect to the following schedule:

One-party, business line.....	\$3 00
Two-party, business line.....	2 50
One-party, residence line	2 50
Two-party, residence line.....	1 50

Hearing in the matter was held pursuant to notice at the office of the Commission at Madison on September 26, 1918. *H. L. Brown*, president, and *F. G. Henske*, vice president, appeared for the applicant. There were no appearances in opposition.

The applicant operates a telephone exchange at the village of Brandon and at the date of the last report, December 31, 1917, served upon a full metallic basis 126 subscribers, all but 4 of whom reside within the village limits of Brandon. Of this total, 28 are on business two-party lines, 4 on residence one-party lines, and 94 on residence two- and three-party lines. At the date of the hearing the total number of subscribers had decreased to 115. A 100-drop Western Electric switchboard is installed.

In addition to the exchange of the applicant at Brandon there is an exchange owned jointly by the Ladoga-Brandon Telephone Company, the Alto Telephone Company and the East Alto Telephone Company. This exchange, it appears, serves directly approximately 380 subscribers, of whom a small number are located in the village of Brandon. All messages are subject to a toll charge of 2 cents per call, except such messages as are sent over a trunk connection

C. L. 86]

existing between this exchange and that of the Brandon Telephone Company, upon which a toll charge of 5 cents per message is made.

In considering the merits of this case one of the factors which appears to be of importance is the existence of the two exchanges at Brandon, either of which with but slightly increasing the costs could handle the traffic of both. Moreover, the service rendered to subscribers under present conditions is not as efficient or as extensive as it could be made were the exchanges consolidated. Since the filing of the application in this matter, the Commission has informally urged each of the four companies involved in the operation of the two exchanges to take steps looking to a consolidation. However, up to the present time no action has been taken. The matter appears to be of considerable amount and further effort will be made to effect the consolidation. In the meantime it is evident that the applicant in this proceeding is entitled to some relief from existing conditions, this relief to continue until the consolidation may be effected or until such other time as the Commission may direct.

The finances of the applicant are summarized in the following income accounts for the years 1909 to 1918, inclusive, and certain unit costs are also computed therein:

TABLE I.
INCOME ACCOUNTS AND UNIT COSTS FOR PERIOD 1909 TO 1918, INCLUSIVE

	November 12, 1908 to June 30, 1909	For Years Ending June 30,				For 18 Months Ending December 31, 1914	For Years Ending December 31,			For Year Ending November 1, 1918
		1910	1911	1912	1913		1915	1916	1917	
Total operating revenues.....	\$378 27	\$980 41	\$761 49	\$841 62	\$939 70	\$1,960 71	\$1,559 36	\$1,697 14	\$1,856 42	\$1,992 41
Total operating expense excluding depreciation.....	277 56	647 97	523 68	503 57	624 57	1,128 86	1,029 58	994 44	1,022 84	1,397 99
Net operating revenue.....	\$100 71	\$332 44	\$237 81	\$338 05	\$315 13	\$831 85	\$529 78	\$702 70	\$833 58	\$594 42
Dividends declared.....	None	None	None	\$127 50	\$159 00	\$318 00	\$159 00	\$265 00	\$830 00	Not re- ported
Book value.....	\$2,605 00	\$2,811 00	\$3,010 00	\$3,148 00	\$3,403 26	\$3,844 26	\$4,104 52	\$4,104 52	\$4,159 50	\$4,550 36
Interest and depreciation at 14 per cent. of book value.....	\$215 00	\$393 54	\$421 40	\$440 62	\$476 46	\$807 29	\$574 63	\$574 63	\$582 13	\$637 05
Surplus or deficit*	*\$114 29	*\$61 10	*\$183 59	*\$112 57	*\$161 33	\$24 56	*\$44 85	\$128 07	\$251 45	*\$42 63
Number of telephones.....	67	71	76	88	100	101	115	115	126	115
Operating expenses excluding depreciation per telephone.....	\$4 14	\$9 1	\$6 88	\$ 72	\$6 25	\$7 44	\$8 94	\$8 66	\$8 13	\$12 12

† An error is apparent.

C. L. 86]

The above table sets forth the revenues and expenses of the utility for the entire period of its existence. No depreciation reserve has ever been set up and no amount is set aside annually for depreciation. Allowance is made in the table for depreciation and interest at a rate of 14 per cent. upon the book value, and the surplus or deficit after deducting those amounts from the net operating revenues is determined. Deficits were experienced for seven of the ten periods under consideration. However, a class inspection of the accounts indicates that completed depreciation has been included in operating expenses, so that an allowance of 6 per cent. for depreciation above what has already been included in operating expenses for completed depreciation will undoubtedly be too high. When this factor is taken into consideration it will be evident that the deficits for practically every year will be changed to surpluses by small amounts. It is evident that the applicant has been earning on the average a sufficient amount to pay operating expenses, interest on the investment and set aside a reasonable depreciation reserve, and that the surplus, if any, after these charges have been taken care of has been comparatively small.

The applicant sets forth that on August 1, 1918, it was required to increase the pay of the man who contracts to operate the central office and take care of switchboard maintenance from \$50.00 per month to \$100 per month and the pay of its lineman to do repair work from 20 cents per hour to 35 cents per hour. These increased rates were thus effective for three months of the year ending November 1, 1918, the income account for which is shown in TABLE I. It is probable that of the \$375 increase in expenses for this year over expenses for the year ending December 31, 1917, between \$175 and \$200 is attributable to increase in repairman's and operators' wages, and of the remainder part is due to increases in material costs and rent of central office and part under proper accounting procedure should probably be charged to the depreciation reserve. The increase in operators' wages will amount to \$600 per year. Were we to charge the expenses reported for the

year ending November 1, 1918, so as to include a year's operation at the increased rate of wages of \$100 per month, we would have \$1,847.99. This figure would include but three months of operation at the increased wages of the lineman. On the other hand, it is probable that in the expenses as reported for the year there are included certain amounts which should have been charged to the depreciation reserve, and for the purposes of this case we will assume that the two amounts approximately offset each other. Although no question has been raised by the opposition as to the amount of the increase in wages for the operation of the central office, it is evident that the present wage of \$100 per month is considerably above the average for the service rendered. It will be noted that this amounts to approximately \$10.50 per telephone for each of the telephones directly connected.

We have pointed out that the expenses would be approximately \$1,847.99 were a full year of operation at the increased salary for operators in effect. On the basis of the revenues, as reported for the past year of \$1,992.41, this would leave \$144.40 for interest and depreciation upon the property. In TABLE I. interest and depreciation for this year are placed at \$637.05. From these figures it would appear that approximately \$500 of increase in revenues is necessary to meet increased expenses. Considering, however, the restricted nature of the service, we believe that rates should not be placed as high as would perhaps be reasonable for a wider service, and the rate schedule authorized by the terms of this order has been prepared with this in mind.

It is, therefore, ordered:

1. That the applicant, the Brandon Telephone Company, be, and the same hereby is, authorized to discontinue the schedule of rates at present in effect and substitute therefor the following schedule:

	<i>Per Month</i>
Business, one-party	\$2 50
Business, two-party.....	2 00
Residence, one-party.....	1 75
Residence, two-party.....	1 25

C. L. 86]

2. That jurisdiction herein be retained to revise the schedule authorized for a period of one year from the date of this order.

Dated at Madison, Wisconsin, this seventeenth day of December, 1918.

In re APPLICATION OF MANAWA TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-995.

Decided December 24, 1918.

**Increase in Business, Residence and Rural Rates Authorized — Approximately 15 Per Cent. Estimated for Reserve for Depreciation and Return — Rural Rates Not to be Made Effective Until
Circuits were Made Metallic — Employment of
Both Manager and Lineman Disapproved.**

OPINION AND DECISION.

On March 15, 1918, the Manawa Telephone Company, through its owner and manager, John T. Penn, filed an application requesting authority to increase its rates. The rates at present in effect are as follows:

	<i>Per Month</i>
Business 'phones	\$1 50
Residence 'phones	1 00
Rural 'phones	1 25

The management desires to put into effect the following schedule:

	<i>Per Month</i>
Single line business 'phones.....	\$2 00
Two-party business 'phones.....	1 75
Single line residence 'phones	1 75
Two-party residence 'phones.....	1 50
Four-party residence 'phones.....	1 25
Multi-party rural 'phones.....	1 50

It is claimed by the company that the present operating revenue is insufficient to allow an adequate return to the company.

A hearing was held April 12, 1918, at the offices of the Commission, at which *L. T. Penn*, manager, appeared for the company. No one appeared in opposition.

The Manawa Telephone Company owns and operates an exchange and telephone system in the village of Manawa, Waupaca County, and in the rural territory tributary thereto. The switchboard is a 105-drop, magneto type, and the circuits are all metallic with the exception of two rural circuits. It is contemplated to make these metallic in the near future. Continuous 24-hour service is now being furnished. The company has connected to its switchboard 247 subscribers. Of these subscribers 121 are on 10 rural circuits; the average per circuit is not above the limit prescribed by the Commission; there are, however, two circuits with 15 subscribers on each, and one circuit with 19 subscribers. Steps should be taken to reduce the number of subscribers on these three circuits. In the village there are 126 subscribers classified as follows: 38 single line business subscribers, 6 two-party business subscribers, 1 single line residence subscriber, 8 two party residence subscribers, 21 three-party residence subscribers, and 52 four-party residence subscribers.

In the following table is shown a comparison of the company's income statements for the past three years:

<i>Operating Revenues:</i>	1915	1916	1917
Subscribers' telephone earnings....	\$3,145 90	\$3,291 10	\$3,474 80
Earnings from connecting lines....	293 18	71 80	104 15
Commissions on long distance toll..	.....	193 97	189 03
TOTAL OPERATING REVENUES...	\$3,439 08	\$3,556 87	\$3,767 98
<i>Operating Expenses:</i>			
Central office	\$565 73	\$687 73	\$713 43
Wire plant	213 86	290 53	258 88
Substation	345 38	375 02	417 00
Commercial	51 26	61 89	53 16
General	1,000 90	1,066 37	884 20
Undistributed	86 22	92 15	309 75
TOTAL OF ABOVE ITEMS.....	\$2,263 35	\$2,573 69	\$2,636 42
Depreciation	664 56	759 85	769 92
Taxes	73 83	85 98	86 92
TOTAL OPERATING EXPENSES....	\$3,001 74	\$3,419 52	\$3,495 26
NET OPERATING REVENUES.....	\$437 34	\$137 35	\$272 72

C. L. 86]

The company's report for the year ending December 31, 1917, shows a property and plant account of \$10,183.13, or an average investment per subscriber of \$41.22. This cannot be said to be above the normal investment per 'phone for plants of this character. The operating expenses per 'phone in 1917 were \$11.03, exclusive of depreciation or return, which are not far from normal. After paying operating expenses and taxes the company had \$1,042.64 available for depreciation and return, or 10.2 per cent. on the property and plant value, which is manifestly insufficient to cover these two items.

The operating expenses and taxes for the year ending December 31, 1917, amounted to \$2,725.34. In that is included a salary of \$80.00 a month paid to the manager, who is at the same time the owner of the utility. It now appears that last spring a chief line- and troubleman was employed at \$75.00, who takes the place of a high school student who was receiving \$25.00 a month. The manager also attends the switchboard during certain periods of the day, for which service he makes an additional charge as an operator. The wages of the regular operator have also been increased \$3.00 a month over what they were in 1917. It appears to us that a plant of this size cannot stand the wages of both a manager and line-man. We feel that \$100 a month should be sufficient compensation for the services performed by these two individuals. The duties going with the two positions ought to be combined into one. If we make provision for \$300 additional operating expenses due to increased labor costs, that will be about as much as can be reasonably expected or justified.

The proposed rates would bring in more revenue to the company than the circumstances seem to warrant, and it also appears that the rates for certain classes of service are in and of themselves out of line with what should be charged. On the table below we are making an estimate of the company's annual revenue at rates which we think are more nearly what they should be.

ESTIMATE OF REVENUE AT SUGGESTED RATES.

	<i>Per Month</i>	<i>Revenue</i>
Single line business subscribers, 38 at.....	\$2 00	\$76 00
Two-party business subscribers, 6 at.....	1 75	10 50
Single line residence subscriber, 1 at.....	1 50	1 50
Two-party residence subscribers, 8 at.....	1 35	10 80
Four-party residence subscribers, 73 at.....	1 15	83 95
Rural subscribers, 121 at.....	1 40	169 40

TOTAL MONTHLY SUBSCRIBERS' REVENUE..... \$352 15

According to this we estimate a yearly revenue of \$4,228.55. In addition to that, we should add about \$290 income received from toll charges, bringing the total estimated revenue up to about \$4,519 based on the present number of subscribers receiving the classes of service indicated above. We estimate that the annual operating expenses and taxes will be about \$3,025, which includes the amount necessary for wage increases. This will leave in the neighborhood of \$1,500 available for depreciation and interest upon the value of the property used and useful in the business. This amount appears to be reasonable and the rates affording this revenue may not be considered excessive.

It appears that the applicant has two grounded rural circuits, all the rest are metallic. We do not think that the rates suggested above should be applicable to the subscriber value of the property used and useful in the business. This present rates should remain in effect for such subscribers till the company has made those circuits metallic.

The Commission finds that the revenue derived by the applicant under the present rates is inadequate, and that the rates authorized herein are reasonable and equitable for all classes of subscribers.

It is, therefore, ordered, That the Manawa Telephone Company be authorized to discontinue its present schedule of rates and substitute for it the following:

C. L. 86]

Single line business service.....	\$2 00
Two-party business service.....	1 75
Single line residence service.....	1 50
Two-party residence service.....	1 35
Four-party residence service.....	1 15
Rural party service.....	1 40
Rural party service (grounded).....	1 25

Dated at Madison, Wisconsin, this twenty-fourth day of December, 1918.

In re APPLICATION OF WOODHULL TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-999.

Decided December 24, 1918.

**Increase in Rates Denied—7.1 Per Cent. Estimated for Rate of Return
—6 Per Cent. Estimated for Reserve for Depreciation—Right to
Rate Increase in Order to Rebuild Property, Surplus Having
Been Invested in New Extensions, Considered.**

Applicant, which operates a rural full metallic system serving 161 subscribers on 16 lines, sought authority to increase rates from \$15.00 to \$18.00 per year in order to accumulate funds to rebuild the plant. No exchange is maintained, switching service being secured at the Fond du Lac exchange of Wisconsin Telephone Company at \$5.00 per year, per station. The outstanding stock is \$3,925, on the average 10 per cent. dividends have been declared since 1909, and a surplus has been invested in plant, the reproduction new cost of which the Commission found to be \$6,250, or \$38.00 per telephone. The Commission estimated that, allowing 14 per cent. for interest and reserve for depreciation since 1909, the company had a surplus of \$809.17. All expenditures had been charged to operating expenses, and the Commission found that the present rates would yield during 1918 a return sufficient to provide 6 per cent. for reserve for depreciation and 7.1 per cent. as return on \$6,250.

Held: That the Commission would not grant a rate increase for the purpose of rehabilitating the properties, where it was clear that earnings

in the past had been sufficient to cover operating expenses, pay a reasonable interest rate upon the investment, and in addition set aside an adequate annual reserve for depreciation;

That the fact that the surplus which should properly have constituted a reserve for depreciation fund was reinvested in the property did not relieve the stockholders from the obligation to furnish funds for its rehabilitation, although it was proper to invest in new extensions the amount which, if set aside, would have constituted the reserve for depreciation fund;

That in view of the facts, the application should be denied, but the Commission would retain jurisdiction so as to enable it to make such rate adjustment as should be necessary if the Wisconsin Telephone Company should apply for authority to increase the switching rates at Fond du Lac from \$5.00 to \$6.00 per year.

OPINION AND DECISION.

Application in this matter, dated July 19, 1918, sets forth among other things that the company was incorporated in 1907 with a capital of \$2,500; that no provision has ever been made for depreciation; that the plant is now eleven years old and is in need of rebuilding, and that there are no funds available to do this work; that the applicant has 40 miles of pole line, 143 miles of No. 12 wire, all metallic circuits, and 161 subscribers all receiving unlimited service at the Fond du Lac exchange of the Wisconsin Telephone Company at a switching rate of \$5.00 per subscriber, per year; that in the rebuilding and rearranging of lines it is planned to have not more than 10 subscribers on any one line; that all other companies operating in the vicinity and furnishing a similar service are charging \$18.00 per year; that the present rate of \$15.00 per year is inadequate, and authority is asked to place in effect a rate of \$18.00 per year.

Hearing in the matter was set for August 19, 1918, at the office of the Commission at Madison. No appearances for or against the application were entered. However, the applicant furnished to the Commission an inventory of its property, and subsequent to the date of the hearing an investigation of the finances of the company was made by

C. L. 86]

the Commission. The results of this investigation will be commented upon later.

The applicant it appears operates a rural full metallic system which served, as of December 31, 1917, 153 rural subscribers on 16 rural lines, all but one of which is on a central energy basis. By July, 1918, the number of subscribers had increased to 161. No exchange is maintained, switching service being secured at the Fond du Lac exchange of the Wisconsin Telephone Company at \$5.00 per telephone, per year. Within three years of its organization the company developed its system to 103 telephones, or to approximately two-thirds of its present development. Of the 161 subscribers now served, 19 are stockholders, and it appears from the dividends declared each year and the per cent. as indicated in the annual reports that the total outstanding stock is \$3,925. The annual reports show that on the average 10 per cent. dividends have been declared each year upon the outstanding capital stock since 1909, and in addition thereto a considerable annual surplus is shown. No depreciation reserve has ever been set up. While the applicant sets forth in its application that one of its reasons for asking for an increase in rates is the fact that its plant is now eleven years old and is in need of rebuilding, it should be pointed out that this Commission has not been disposed to grant rate increases for the purpose of rehabilitating the properties where it has been clear that earnings in the past have been sufficient to cover operating expenses, pay a reasonable interest rate upon the investment, and in addition set aside an adequate annual depreciation reserve. The applicant in this case has not conformed to the letter of the law in that it has not provided a depreciation reserve, and although it has an apparent surplus it has been culpable because it has declared dividends apparently regardless of where the revenues were to come from with which to rehabilitate its property, except to the extent that the apparent surplus might serve as a depreciation reserve.

It is apparent, therefore, that the history of the finances of this utility should be carefully reviewed.

The following is a tabulation of the income accounts of the utility as reported annually to the Commission for the years 1909 to 1917 inclusive. Obvious errors, such as failure to report the amount paid to the Wisconsin Telephone Company for switching service, and others, have been corrected. With the exception of minor errors in reported revenues which will be commented upon later, it appears that the income accounts as revised furnish fairly accurate data relative to the earnings and expenses of the utility for the period:

TABLE I.
REVISED INCOME ACCOUNTS, 1909-1917.

	<i>For Years Ending June 30,</i>				
	<i>1909</i>	<i>1910</i>	<i>1911</i>	<i>1912</i>	<i>1913</i>
Total operating revenues	\$1,299 77	\$1,269 62	\$1,509 02	\$1,794 22	\$1,961 80
Total operating expenses (including taxes).....	657 91	644 47	661 23	1,041 34	1,294 90
NET OPERATING REVENUES.....	\$641 86	\$625 15	\$847 79	*\$702 88	\$666 90
Dividends.....	320 00	397 50	.....	392 60	.....
SURPLUS FOR YEAR.	\$321 86	\$227 65	\$847 79	\$310 38	\$666 90
	<i>For Eighteen Months Ending December 31, 1914</i>	<i>For Years Ending December 31,</i>			
		<i>1915</i>	<i>1916</i>	<i>1917</i>	
Total operating revenues	\$3,058 31	\$2,308 45	\$2,308 45	\$2,296 50	
Total operating expenses (including taxes).....	1,834 39	1,437 76	1,437 76	1,662 76	
NET OPERATING REVENUES.....	\$1,223 92	\$870 69	\$870 69	\$633 74	
Dividends.....	392 50	785 00	785 00	392 50	
SURPLUS FOR YEAR.	\$831 42	\$85 69	\$85 69	\$241 24	

* An error is apparent.

C. L. 86]

In order to determine what would have been reasonable amounts to allow for interest and depreciation during the period 1909 to 1917, it will be necessary to estimate the value of the property for these years. The inventory submitted, priced with average unit costs, shows a total cost of reproduction of \$6,250 as of about July 1, 1918. This amounts to approximately \$38.00 per telephone based upon the 164 telephones listed in the inventory. The following tabulation shows, (1) the estimated value of the system for each year from 1909 to 1917 based upon a value of \$38.00 per telephone as applied to the number of telephones reported annually to the Commission, (2) interest and depreciation computed at 14 per cent. upon the values outlined above, (3) net operating revenues as shown in the income accounts in TABLE I., and (4) compares the total reasonable allowance for interest and depreciation with the annual net revenues for the period. In addition to the above, the table sets forth the book values of the property as reported annually to the Commission. While the book values are not consistent for the period, whatever weight may be attached to them has a tendency to substantiate the estimated costs of reproduction as set forth in this table.

TABLE II.

COMPARISON OF ANNUAL NET OPERATING REVENUES WITH ANNUAL INTEREST AND DEPRECIATION REQUIREMENTS.

<i>Year</i>	<i>Number of Subscribers</i>	<i>Estimated Cost of Reproduction of System</i>	<i>Interest and Depreciation at 14 Per Cent. of Cost of Reproduction</i>	<i>Net Operating Revenues</i>	<i>Book Values as Reported in Annual Reports</i>
1909.....	89	\$3,385 00	\$473 90	\$641 86	.....
1910.....	103	3,920 00	548 80	628 15	\$4,189 00
1911.....	114	4,340 00	607 60	847 79	4,140 00
1912.....	134	5,100 00	714 00	702 88	4,943 00
1913.....	135	5,140 00	719 60	666 90	5,228 00
1914.....	140	5,325 00	*1,118 25	*1,223 92	4,640 00
1915.....	150	5,710 00	799 40	870 69	.....
1916.....	150	5,710 00	799 40	870 69	6,000 00
1917.....	153	5,825 00	815 50	633 74	6,000 00
July 1, 1918....	164	6,250 00	.....	.....	.....
			\$6,596 45	\$7,086 62	

* For eighteen months.

The above table shows that the total net operating revenues as reported exceed the total estimated requirements for interest and depreciation for the nine and one-half years by *\$409.17. However, it appears that during the period from 1909 to 1915, inclusive, either there were errors in reporting the annual revenues, or the full amounts of the rates on file were not charged. Averaging the subscribers reported at the beginning of each year with the subscribers reported at the end of each year and applying the rate on file, viz., \$15.00 per subscriber, per year, results in a total discrepancy in reported earnings for the period of about \$400. Adding this amount to the \$409.17 excess of net operating revenues over interest and depreciation requirements gives \$809.17. While this amount, added to the estimated interest and depreciation requirements for the nine and one-half year-period under consideration, would perhaps not constitute an unreasonably high interest and depreciation provision, it is evident that the stockholders have been furnished with sufficient revenues in the past to provide adequately for interest and depreciation upon the investment. The fact that the surplus, or what probably should have constituted a depreciation fund, was reinvested in the property does not relieve the stockholders from the obligation to furnish funds for the rehabilitation of the property. Any rate increase based upon the plea that the applicant needs funds for rebuilding its property must therefore be denied.

However, it appears reasonable that if more revenues are needed to provide for increased operating expenses, such revenues should be forthcoming through an increase in rates. In order that we might be better informed as to the operations of the applicant and as to its financial needs, an investigation of its records has been made. Operating expenses were reviewed for the year ended December 31, 1917, and for the ten months ended October 31, 1918. The following table shows the results of the investigation of the applicant's finances.

* \$490.17†

TABLE III.

INCOME ACCOUNTS FOR YEAR ENDED DECEMBER 31, 1917, AND FOR THE
TEN MONTHS ENDED NOVEMBER 1, 1918.

	<i>For Ten</i>	
	<i>For Year Months Ended</i>	
	<i>Ended De-</i>	<i>November</i>
	<i>cember 31, 1917</i>	<i>1, 1918</i>
<i>Revenues:</i>		
Total earnings	\$2,296 50	\$2,063 00
<i>Expenses:</i>		
Paid for switching service.....	\$764 72	\$657 59
Wire plant and substation expense and taxes..	515 74	533 78
General officers' salaries and expense.....	99 00	99 00
Miscellaneous	71 27	88 22
TOTAL EXPENSE	\$1,450 73	\$1,378 59
Net revenues for period	\$845 77	\$684 41
Net revenues for ten months' period expanded to yearly basis.....		821 28

It will be noted that the record of expenses shown in the above table for the year ended December 31, 1917, are lower than the expenses reported by the applicant for this period as detailed in TABLE I. by \$212.03. It is impossible to ascertain wherein the discrepancy lies, since the details of the computations whereby the applicant arrived at its expenses are not available. However, it does not appear necessary in this case to reconcile the two expense accounts. Our review of the expenses for this year tends to substantiate our conclusion that the earnings of the company in the past have been ample to cover all operating expenses, including provision for an adequate depreciation reserve, and to pay reasonable interest returns upon the value of the property.

It appears to have been the policy of the company to charge all expenditures, whether they were for construction, replacement, or ordinary repairs or labor, to operating expenses, and expect the revenues from the operation of the plant to meet all of these expenses. Since the

original investment was made of \$3,925 realized from the sale of capital stock, the property has been built up out of earnings until now its cost of reproduction is in the neighborhood of \$6,250. While it is proper to invest in new extensions the amount which, if set aside, would constitute the depreciation fund, it is obviously unfair to relieve the stockholders of the company from furnishing the capital to rebuild the property when rebuilding becomes necessary.

The income account shown in TABLE III. for the first ten months of the calendar year 1918 shows a net earning above expenses, excluding depreciation, of \$684.41, which, if expanded to a yearly basis would amount to \$821.28. This amount would provide for depreciation at 6 per cent. upon an investment of \$6,250, and in addition also pay interest or dividends upon the same amount at about 7.1 per cent.

The only data which the applicant has submitted tending to show that current expenses will be increased materially the coming year over the present year have reference to the amount which is to be paid to the Wisconsin Telephone Company for switching service. This amount it is contended is to be raised from \$5.00 to \$6.00 per telephone on January 1, 1919. No application on the part of the Wisconsin Telephone Company for authority to increase switching rates at Fond du Lac has been received by the Commission up to the present time. Should such an application be made and be passed upon favorably by the Commission, it is sufficient for the purposes of this case to retain such jurisdiction as will enable us to make rate adjustments which appear necessary.

In view of the circumstances surrounding this case, we believe that the application should be denied. This action shall not prejudice the right of the applicant to make further application for an increase in rates when legitimate expenses have increased to such an extent as to make additional revenues reasonable and necessary.

C. L. 86]

It is, therefore, ordered:

1. That the application herein be denied.
2. The Commission retains full jurisdiction to alter or amend this order as may appear necessary within one year of the date hereof.

Dated at Madison, Wisconsin, this twenty-fourth day of December, 1918.

CANADA.

Board of Railway Commissioners.

In re APPLICATION OF THE BELL TELEPHONE COMPANY OF CANADA UNDER SECTIONS 247-248 OF THE RAILWAY ACT, FOR LEAVE TO EXERCISE ITS POWERS OF CONSTRUCTING, MAINTAINING AND OPERATING ITS LINES INSTALLED IN AND BY UNDERGROUND CONDUIT IN THE CITY OF LONDON, ONTARIO.

File No. 28948.

Decided November 20, 1918.

**In Granting Authority to Construct, Maintain and Operate Lines in City,
Board Considered Without Power to Provide for Compensation to
City for the Use of its Streets.***

ORDER.

Upon reading the application and what is alleged in support thereof, the answer filed on behalf of the corporation of the city of London in objection thereto, and the reply of the telephone company,

It is ordered, [1.] That the telephone company be, and it is hereby, granted leave to exercise its powers of constructing, maintaining, and operating its lines of telephone installed in and by underground conduit in the following location, in the city of London, Province of Ontario: On Talbot Street, commencing at the telephone company's manhole, located at the intersection of Talbot and Dundas streets, and running south approximately 150 feet to the first lane-way off Talbot Street running east.

2. The work to be carried on under the supervision of the engineer of the city of London, and the Utilities Commission, *provided that*, if any question arises with regard to such supervision, it shall, on application, be dealt with by the electrical engineer of the Board.

November 20, 1918.

* For Judgment in this case, see Commission Leaflet No. 85, p. 508.

C. L. 86]

In re APPLICATION OF THE BELL TELEPHONE COMPANY OF CANADA FOR LEAVE TO INCREASE RATES; AND APPLICATION OF THE CITY OF MONTREAL FOR PARTICULARS, TO AMEND ORDER NO. 27848, ETC.

Case No. 955 — Order No. 27912.

Decided December 6, 1918.

Under Present Conditions Rate Increases Should be Temporary — Full Investigation, Special Valuations, and Cost Studies Not Required — Company Ordered to Supply Certain Data from its Books — Application to Have Board Pay Cost of Audit by City's Auditors Denied.

Applicant sought to increase rates in Montreal, and the city, resisting the application, applied for the delivery of particulars by the company, and for the right to go over the company's books, and also contended that if increases were granted they should be temporary.

Held: That the evidence showing that many states were granting temporary increases without the making of full inventories, valuations and investigations, due to war conditions, and that there had been an immense increase in the cost of materials, the Board would give effect to the spirit of the municipality's application and provide merely for temporary increases if they were shown to be necessary, but would not fix the duration of such temporary increases, as they should remain in effect until operating costs and plant valuations became normal, when the permanent rates ought to be considered;

That the application should be treated as current so that the onus of showing what the proper rate was should rest upon the company;

That although the matter as dealt with on such temporary basis did not require the exhaustive statements which otherwise might be necessary, the municipalities were entitled to the fullest amount of information that the company's books would enable them to give, without recourse to special valuations and exhaustive cost studies, and the company should give further detailed particulars showing an analysis of plant values, gross revenues, expenses, reserve for depreciation, stations served, long distance messages, interest expenses, surplus, reserve for special objects, and special accounts;

That although the auditing of the books by Montreal's auditors would be of benefit not only to Montreal but also to other cities, the Board would not pay the cost and expense of the audit out of its funds, as it had no fund for such a purpose and the matter was one in which the Canadian tax payer as such was not in any event interested, the company having no operations in many of the Canadian provinces. Any contribution to Montreal's expenses was a matter to be considered by municipalities interested, rather than by the country at large.

JUDGMENT.

THE CHIEF COMMISSIONER:

On the application of municipalities, including the city of Montreal, Order No. 27848 for the delivery of particulars by The Bell Telephone Company was made by the Board.

At the time the question was considered the particulars asked for by the city of Montreal were general in their character and the city had not had the question considered by an expert versed in telephone rates and practices. Since the order was made the city of Montreal has had the benefit of the expert advice of Mr. W. J. Hagenah, of the firm of Hagenah and Erickson, of Chicago, and as a result of going into the matter with him desires further particulars. At the request of the city of Montreal a sittings of the Board was arranged for Friday, November 22, for the consideration of its further demands.

At this sittings Mr. Hagenah was called as a witness, and the position taken by the city of Montreal has been endorsed by the municipalities who appeared at the sittings, as above set out.

In addition to this application for particulars the city of Montreal also applied for an order that any rates that might be fixed by the present application of the company be temporary rates. The relief asked for in this application is stated as follows:

"Wherefore for the reasons above stated, the city of Montreal applies for a preliminary judgment and order to the effect,

1. That if your Commission increases the tolls, rates, and charges, incidental or otherwise, or grants any new ones for local exchange service in the Montreal telephone exchange district or for long distance service, that the same be only for a temporary and limited period of time.

2. That at the expiration of the said period the tolls, rates, and charges, incidental or otherwise, now existing and in force shall revive.

3. That if at the expiration of the said period The Bell Telephone Company makes application that the temporary increases and additions that may be granted by your Board for local exchange service in the Montreal telephone exchange district and for long distance service upon the application of the company be continued, or that the said increases be further augmented or increased, or for higher tolls, rates, and charges than now existing and in force, and for charges not now made, the com-

C. L. 86]

pany shall in such case make and submit to your Board a detailed valuation and inventory of the Montreal telephone exchange, a like inventory and valuation of the long distance system, and establish, in detail, the gross revenues and expenses of the Montreal telephone exchange and the long distance system separately; the city of Montreal to have the right, if it sees fit, to have representatives at the making of said inventories and valuations, and at the fixing and determining of the said gross revenues and expenses to check and control same as the work progresses.

4. That your Commission reserve the right to reduce or cancel, before the expiration of said period of time, should the circumstances warrant it in the opinion of your Commission, each and any of the temporary increases and additions in the tolls, rates, and charges, incidental or otherwise, that might be granted on the company's application for local exchange service in the Montreal telephone exchange district or for long distance service, or to shorten the period of duration of said temporary increases and additions."

I first deal with this question. In his examination Mr. Hagenah says:

" * * * New York, Massachusetts, Maryland, Indiana, Illinois — of course you gentlemen are familiar with them. They have come to the conclusion that because of these abnormal conditions an emergency exists, that they cannot stop to go into extensive appraisals and inventory investigations of property, but they will analyze earnings and operating expenses for a number of years, and assuming — and it is purely an assumption — that the rates which prevailed before these abnormal conditions developed were equitable, they will analyze and see what have been the net earnings each year since that time. If the net earnings have declined very abruptly they will say that the departure between such net earnings and the net earnings before will measure the amount by which the company shall have an increase in its rates. The practice has been to grant such emergency increase as the figures disclose is necessary, making that effective generally for one year, during which time the Commission expressly reserves jurisdiction of the case. Very often at such time, proceeding on the assumption, which is largely justified, I think, that these conditions will not go back to normal within one year, it may be in fact a number of years, and that the increase in rates may have to be for quite a length of time, they generally ask that the company prepare a full inventory and appraisal of its property and such analytical data as is necessary, so that the Commission at the end of the year, or eighteen months, the effective period, may be able to determine with more definiteness what the rate shall be until conditions become less disturbed and less abnormal, retaining all the time jurisdiction of the case so the burden of proof is not affected by the temporary relief given to the company.

Q. Your idea then of what ought to be done is that while the fullest particulars should be furnished so that everybody gets to know just exactly what the business is and what the returns are, those particulars should be held over for examination and whatever is the proper relief for the immediate emergency should be granted without an immediate investigation? A. Yes, if the Commission satisfy themselves that the company should be relieved immediately to such an extent as is shown to be necessary, that could be done without an expensive appraisal, but after that temporary relief is given, realizing that these conditions are abnormal and may last for probably eight or ten years, the Commission request the company to immediately prepare data to show the Commission that it is entitled to some measure of relief on a more or less permanent basis at the end of the effective period of one year or eighteen months.

The Chief Commissioner. Mr. Hagenah, on the temporary issue what do you think you should have before you before you can determine that? A. I would think that in addition to the comprehensive schedule of information which you have asked for from the company as a whole that the Commission should take into consideration the gross and the net earnings from each of the exchange districts. I imagine The Bell Telephone Company of Canada is keeping accounts as to the revenue collected in each of the large exchange districts, and its expenses, and while it probably does not prorate some of the general expenses, we might be able by some process of prorating to get at something reasonably accurate as a basis for an emergency rate."

The following statement of his position, made at the hearing, was adopted by him:

"The Chief Commissioner. He has already answered it. He says it is not necessary at the present time and ought not to be done. He says at this particular juncture if we find, as they found in the states, an emergency to exist; that the relief for the emergency ought not to be delayed by dilatory proceedings; but, on the other hand, whatever relief is given should be held down to a period, that the Board should see that it does not extend for any longer than there is necessity for it, and that in the meantime these detail matters of investigation should be gone on with so that at the end of the period of emergency the full subject can get that detailed information which it should get. That is what the witness says. He says those things ought not to be done now. Is that right?"

Witness. That is so. When the Commissioner asks about each incorporated village, town, and city, I might point out that the information could be given only by the exchange areas the company carries on its books. It may have ten cities in one exchange area. It would be practically no work for the company to give us that information."

C. L. 86]

And much turns on this application. In order to appreciate how much turns upon it, it is necessary merely to state that the proper rate basis, in the opinion of the Montreal expert, is that a local rate should be fixed for each locality, and that for the purpose of fixing the rate an inventory should be had of the company's plant and equipment in such locality, the expenses of operation arrived at, and provision made for a profit of 8 per cent. on the value appraised.

There has been an immense increase in the cost of materials since the last detailed investigation was held by the Board, which covered the Montreal territory and took place in 1911. At the time of that investigation it was found that the company made but 8.28 per cent. on its Montreal investment and the rates were therefore sustained.

In all probability, were an appraisal taken today it would be found that the value had increased at least 40 per cent., and if Montreal be taken as a typical point (the result would be, of course, not absolutely the same in all municipalities) the general result would be an increase of 40 per cent. in telephone rates.

It may be that today's high costs will be maintained for some considerable time; that labour charges and that class of material in which labour represents a large percentage of the cost will not materially decrease. On the other hand it is more than possible that the cost of installation and the values of plants will materially decrease.

In my opinion, should it be found necessary to increase the company's rates, they should be increased subject to the Board's further order and to the further provision, in the meantime, that such data be collected and valuations made as will enable a proper telephone rate to be determined when conditions are ascertained to be constant.

I would, therefore, give effect to the spirit of the municipality's application and provide merely for temporary increases if necessary. In my view, however, their duration ought also not to be fixed. They should remain in effect

Q. Your idea then of what ought to be done is that while the fullest particulars should be furnished so that everybody gets to know just exactly what the business is and what the returns are, those particulars should be held over for examination and whatever is the proper relief for the immediate emergency should be granted without an immediate investigation? A. Yes, if the Commission satisfy themselves that the company should be relieved immediately to such an extent as is shown to be necessary, that could be done without an expensive appraisal, but after that temporary relief is given, realizing that these conditions are abnormal and may last for probably eight or ten years, the Commission request the company to immediately prepare data to show the Commission that it is entitled to some measure of relief on a more or less permanent basis at the end of the effective period of one year or eighteen months.

The Chief Commissioner. Mr. Hagenah, on the temporary issue what do you think you should have before you before you can determine that? A. I would think that in addition to the comprehensive schedule of information which you have asked for from the company as a whole that the Commission should take into consideration the gross and the net earnings from each of the exchange districts. I imagine The Bell Telephone Company of Canada is keeping accounts as to the revenue collected in each of the large exchange districts, and its expenses, and while it probably does not prorate some of the general expenses, we might be able by some process of prorating to get at something reasonably accurate as a basis for an emergency rate."

The following statement of his position, made at the hearing, was adopted by him:

"The Chief Commissioner. He has already answered it. He says it is not necessary at the present time and ought not to be done. He says at this particular juncture if we find, as they found in the states, an emergency to exist, that the relief for the emergency ought not to be delayed by dilatory proceedings; but, on the other hand, whatever relief is given should be held down to a period, that the Board should see that it does not extend for any longer than there is necessity for it, and that in the meantime these detail matters of investigation should be gone on with so that at the end of the period of emergency the full subject can get that detailed information which it should get. That is what the witness says. He says those things ought not to be done now. Is that right?"

Witness. That is so. When the Commissioner asks about each incorporated village, town, and city, I might point out that the information could be given only by the exchange areas the company carries on its books. It may have ten cities in one exchange area. It would be practically no work for the company to give us that information."

C. L. 86]

And much turns on this application. In order to appreciate how much turns upon it, it is necessary merely to state that the proper rate basis, in the opinion of the Montreal expert, is that a local rate should be fixed for each locality, and that for the purpose of fixing the rate an inventory should be had of the company's plant and equipment in such locality, the expenses of operation arrived at, and provision made for a profit of 8 per cent. on the value appraised.

There has been an immense increase in the cost of materials since the last detailed investigation was held by the Board, which covered the Montreal territory and took place in 1911. At the time of that investigation it was found that the company made but 8.28 per cent. on its Montreal investment and the rates were therefore sustained.

In all probability, were an appraisal taken today it would be found that the value had increased at least 40 per cent., and if Montreal be taken as a typical point (the result would be, of course, not absolutely the same in all municipalities) the general result would be an increase of 40 per cent. in telephone rates.

It may be that today's high costs will be maintained for some considerable time; that labour charges and that class of material in which labour represents a large percentage of the cost will not materially decrease. On the other hand it is more than possible that the cost of installation and the values of plants will materially decrease.

In my opinion, should it be found necessary to increase the company's rates, they should be increased subject to the Board's further order and to the further provision, in the meantime, that such data be collected and valuations made as will enable a proper telephone rate to be determined when conditions are ascertained to be constant.

I would, therefore, give effect to the spirit of the municipality's application and provide merely for temporary increases if necessary. In my view, however, their duration ought also not to be fixed. They should remain in effect

until operating costs and plant values become normal, when the permanent rates ought to be considered.

I would treat the application as current, so that the onus of showing what the proper rate was would rest upon the company, and in order to bring about this result would grant temporary increases if found necessary, as already stated, until further order.

Although the matter, as dealt with on this temporary basis, does not require the exhaustive statements which otherwise might be necessary, I am nevertheless of the view that the municipalities are entitled to the fullest amount of information that the company's books, as kept, will enable them to give without recourse to special valuations and exhaustive cost studies, involving as it might the detail of the whole of the company's system.

Apart from the evidence of Mr. Hagenah, which shows that further details are necessary, there is no reason why the fullest information should not be given by the company, and no reason why the public should not be taken into its fullest confidence. I would, therefore, order the delivery of further detailed particulars as follows:

1. An analysis of plant values as shown by the company's books for the period from and including 1913 down to the thirtieth of September of the current year — this analysis to show: (a) real estate, subdivided into land and buildings, (b) equipment, (c) exchange lines, (d) and toll lines; the whole as subdivided and classified in the company's books; the summary in addition to show the whole plant in service as well as that part of the plant in process of construction.

2. An analysis of the company's gross revenue for the same period. This analysis should be so subdivided as to show the amount of the company's exchange revenues, toll revenues, and non-operating revenues, giving in full the details as disclosed by the company's books and classification. Insofar as non-operating revenues are concerned, these, possibly, have nothing whatever to do with the issue. On the other hand they may, and such other details should

C. L. 86]

be given of these non-operating revenues as will enable that issue to be easily determined. In order to do this it will be necessary for the company to give not only the amount of interest or miscellaneous income received, but also to show the character of the investment, how and when acquired, and to what account the capital invested was charged.

3. An analysis of the company's expenses, covering the same periods, to be divided into items covering general operation, commercial traffic, rights and privileges, insurance, maintenance and repair, station removals and changes, depreciation of plant, and extraordinary repair charges, the whole to be given with as great detail as the classification and books of the company permit. Items for taxes should also be given, and an analysis of the tax charges made, with a view of showing whether the taxation is extraordinary as a result of the war or a permanent charge against the company's operations.

4. In view of Mr. Hagenah's criticism of the amount charged by the company to depreciation, a detailed analysis ought to be made of these items which will show, annually, the amount of depreciation charged, the average plant in service, and the resultant percentage of depreciation annually charged, calculated on the average plant in service.

5. A subdivision of depreciation should also be made which will show the basis on which depreciation is charged, subdividing it between buildings, central offices, equipment, exchange lines, and pole lines, the whole to be given in as full detail and subdivision as the company's books and classification permit.

6. Particulars should be given of the number of stations connected and disconnected, the net gain in stations, and the company's total stations annually for the whole period under review.

7. A statement giving the total number of long distance messages for the same period.

8. Particulars should also be given of the interest

expenses showing the interest on the funded debt, its rate interest on current notes, bank interest on overdraft or arising from other indebtedness, the whole for the same period, together with a statement showing dividends paid.

9. A statement should also be given showing the company's surpluses for the same period, commencing with the balance on hand January 1, 1913, and carrying the amount down to date.

There are reserves for special objects, usually carried in the telephone business. There is the reserve for depreciation of plant, the reserve for deferred ordinary repairs, the reserve for fire insurance, the reserve for accident insurance, the reserve for depreciation of office furniture and factories, the reserve for depreciation of poles, the reserve for depreciation of plant, and the reserve for extraordinary repairs. Particulars are to be delivered by the company for the same period, giving details of these reserves and any others the company may have.

In order to give full information as to the company's financial position, details should also be given of the company's special accounts, such as the suspense account, contingent and reserve account, and employees' benefit fund for the same period.

The evidence shows that the company's books do not distinguish between exchange expenses and long distance expenses, nor between charges to exchange capital account as distinguished from long distance capital account, with the exception of the long distance toll lines.

The evidence also shows that in the same manner the company's books are not being kept so as to give the receipts and expenses of different individual exchange stations. The company's books, however, do give information showing the expenses and receipts within given areas. As a further subdivision of the company's receipts and expenses, a special statement ought to be prepared which will give just as full information of local exchange and toll revenues, receipts, and expenses, as the company's books and classification will permit.

C. L. 56]

A further application has been made by Mr. Butler under the following circumstances. Montreal has applied for an inspection by their accountants. Montreal has been accorded the right to make this inspection, although perhaps much of it will become unnecessary in view of the quantity of information which the company has now been compelled to supply the municipalities. It is, of course, obvious that there has to be some limit to the number of accountants working on the company's books at the same time for the same object.

Toronto had a similar application, but has recognized this fact, and, as stated by its counsel, will in all probability accept the work of Montreal's auditors, Messrs. Price, Waterhouse and Company.

Mr. Butler points out that the work of Montreal's auditors will be of benefit not only to Montreal but also to Toronto and other cities, and generally for the public of Canada. It is quite true that Montreal's work, in case it is found that any exception can be taken to the company's books as such, would be of advantage to other municipalities in whose territory The Bell Telephone Company maintains a service.

Mr. Butler claims that in view of the fact that the auditing would thus be of general public benefit, the Commission should pay the cost and expense of the audit by the city's auditors, Messrs. Price, Waterhouse and Company. The Board has no fund for such a purpose, and the matter is one in which the Canadian taxpayer, as such, is not in any event interested.

The Bell Telephone Company has no operations in many of the Canadian Provinces. Its operations in fact are practically confined to Ontario and Quebec and do not cover the whole territory of these Provinces. If Montreal desires to proceed with the inspection of the company's records by its auditors after it receives the particulars ordered, it has the right to do so. Any contribution to Montreal's expenses would seem to be a matter to be considered by

the municipalities that are interested rather than by the country at large.

Ottawa, December 5, 1918.

Commissioners McLean, Goodeve and Boyce concurred.

ORDER.

Upon hearing the application at the sittings of the Board held in Ottawa, Friday, November 22, 1918, in the presence of counsel and representatives for the city of Montreal, the telephone company, the cities of Toronto, Hamilton, Ottawa, Quebec, Brockville, Brantford, Guelph, Kitchener and Westmount, the towns of Sarnia, Sault Ste. Marie, Three Rivers, Sherbrooke, St. Hyacinthe, Outremont, and Verdun, the Brantford Trade and Labour Council, and the Union of Canadian Municipalities, the evidence offered at the hearing, and what was alleged,

It is ordered, That the telephone company be, and it is hereby, required to furnish and file with the Board and deliver to the city of Montreal and other municipalities opposing the telephone company's application further detailed particulars as follows, namely:

1. An analysis of plant values as shown by the telephone company's books for the period from and including 1913 down to the thirtieth of September of the current year — said analysis to show (a) real estate, subdivided into land and buildings, (b) equipment, (c) exchange lines, and (d) toll lines; the whole as subdivided and classified in the telephone company's books; the summary in addition to show the whole plant in service as well as that part of the plant in process of construction.

2. An analysis of the telephone company's gross revenue for the said period from and including 1913 down to the thirtieth of September, 1918; said analysis to be so subdivided as to show the amount of the telephone company's exchange revenues, toll revenues, and non-operating revenues; the telephone company to give not only the amount of interest or miscellaneous income received, but also to show the character of the investment, how and when

C. L. 86]

acquired, and to what account the capital invested was charged.

3. An analysis of the telephone company's expenses for the period from and including 1913 to the thirtieth of September, 1918, to be divided into items covering general operation, commercial traffic, rights and privileges, insurance, maintenance and repair, station removals and changes, depreciation of plant, and extraordinary repair charges, the whole to be given with as great detail as the classification and books of the telephone company permit. Items for taxes also to be given, and an analysis of the tax charges made.

4. A detailed analysis which will show, annually, the amount of depreciation charged, the average plant in service, and the resulting percentage of depreciation annually charged, calculated on the average plant in service.

5. A subdivision of depreciation which will show the basis on which the depreciation is charged, subdividing it between buildings, central offices, equipment, exchange lines, and pole lines, the whole to be given in as full detail and subdivision as the telephone company's books and classification permit.

6. Particulars of the number of stations connected and disconnected, the net gain in stations, and the telephone company's total stations annually for the said period from and including 1913 to September 30, 1918.

7. A statement giving the total number of long distance messages for the said period.

8. Particulars of the interest expenses showing the interest on the funded debt, its rate of interest on current notes, bank interest on overdraft or arising from other indebtedness, the whole for the same period, together with a statement showing dividends paid.

9. A statement showing the telephone company's surpluses for the same period, commencing with the balance on hand January 1, 1913, and carrying the amount down to date.

10. Particulars giving details of any reserve funds of the

telephone company for the period from and including the year 1913 to September 30, 1918. .

11. Particulars giving details of the telephone company's suspense account, contingent and reserve account, employees' benefit fund, and all other special accounts during the years mentioned.

12. A statement giving as full information of local exchange and toll revenues, receipts, and expenses as the telephone company's books and classification will permit.

December 6, 1918.

344.05
45
T27c

MAR 28 1919

American Telephone and Telegraph Company
= Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 87

Recent Commission Orders, Rulings and Decisions
from the following States:

Alabama	Nebraska
California	New Jersey
Florida	New York
Georgia	North Carolina
Idaho	Ohio
Illinois	Oklahoma
Indiana	Oregon
Kansas	Pennsylvania
Louisiana	South Dakota
Massachusetts	Virginia
Michigan	Washington
Minnesota	West Virginia
Missouri	Wisconsin

MARCH 1, 1919

ALABAMA.

Public Service Commission.

In re CHARGES MADE BY SOUTHERN BELL TELEPHONE AND
TELEGRAPH COMPANY FOR INSTALLING AND CHANGING
LOCATIONS OF TELEPHONES.

Dated September 16, 1918.

**Approval of Installation Charge and Moving Charges Prescribed by
Postmaster General, Denied.**

RULING.*

I have your favor of September 6 quoting Order No. 1931 of A. S. Burleson, Postmaster General, relative to certain charges that are to be made for installing new 'phones and for changing location of telephones and your request that this Commission approve such charges.

These charges, if established, result in an additional charge to the subscriber, which, to all intents and purposes, is an advance in rates. If the authority for making telephone rates within the State of Alabama is now lodged with Mr. Burleson, then an approval of any changes which you contemplate making is not at all necessary by this Commission.

Further, it has never been the policy of this Commission to approve rates and charges until after a thorough investigation, and I am frank to say to you, without an investigation, the charges herein proposed appear to this Commission, *prima facie*, unjust and unreasonable, therefore, this Commission declines to approve them.

September 16, 1918.

* Letter of Sam P. Kennedy, president of Alabama Public Service Commission, to W. T. Gentry, president of Southern Bell Telephone and Telegraph Company, Sept. 16, 1918.

Q. Your idea then of what ought to be done is that while the fullest particulars should be furnished so that everybody gets to know just exactly what the business is and what the returns are, those particulars should be held over for examination and whatever is the proper relief for the immediate emergency should be granted without an immediate investigation? A. Yes, if the Commission satisfy themselves that the company should be relieved immediately to such an extent as is shown to be necessary, that could be done without an expensive appraisal, but after that temporary relief is given, realizing that these conditions are abnormal and may last for probably eight or ten years, the Commission request the company to immediately prepare data to show the Commission that it is entitled to some measure of relief on a more or less permanent basis at the end of the effective period of one year or eighteen months.

The Chief Commissioner. Mr. Hagenah, on the temporary issue what do you think you should have before you before you can determine that?

A. I would think that in addition to the comprehensive schedule of information which you have asked for from the company as a whole that the Commission should take into consideration the gross and the net earnings from each of the exchange districts. I imagine The Bell Telephone Company of Canada is keeping accounts as to the revenue collected in each of the large exchange districts, and its expenses, and while it probably does not prorate some of the general expenses, we might be able by some process of prorating to get at something reasonably accurate as a basis for an emergency rate."

The following statement of his position, made at the hearing, was adopted by him:

"The Chief Commissioner. He has already answered it. He says it is not necessary at the present time and ought not to be done. He says at this particular juncture if we find, as they found in the states, an emergency to exist; that the relief for the emergency ought not to be delayed by dilatory proceedings; but, on the other hand, whatever relief is given should be held down to a period, that the Board should see that it does not extend for any longer than there is necessity for it, and that in the meantime these detail matters of investigation should be gone on with so that at the end of the period of emergency the full subject can get that detailed information which it should get. That is what the witness says. He says those things ought not to be done now. Is that right?"

Witness. That is so. When the Commissioner asks about each incorporated village, town, and city, I might point out that the information could be given only by the exchange areas the company carries on its books. It may have ten cities in one exchange area. It would be practically no work for the company to give us that information."

C. L. 86]

And much turns on this application. In order to appreciate how much turns upon it, it is necessary merely to state that the proper rate basis, in the opinion of the Montreal expert, is that a local rate should be fixed for each locality, and that for the purpose of fixing the rate an inventory should be had of the company's plant and equipment in such locality, the expenses of operation arrived at, and provision made for a profit of 8 per cent. on the value appraised.

There has been an immense increase in the cost of materials since the last detailed investigation was held by the Board, which covered the Montreal territory and took place in 1911. At the time of that investigation it was found that the company made but 8.28 per cent. on its Montreal investment and the rates were therefore sustained.

In all probability, were an appraisal taken today it would be found that the value had increased at least 40 per cent., and if Montreal be taken as a typical point (the result would be, of course, not absolutely the same in all municipalities) the general result would be an increase of 40 per cent. in telephone rates.

It may be that today's high costs will be maintained for some considerable time; that labour charges and that class of material in which labour represents a large percentage of the cost will not materially decrease. On the other hand it is more than possible that the cost of installation and the values of plants will materially decrease.

In my opinion, should it be found necessary to increase the company's rates, they should be increased subject to the Board's further order and to the further provision, in the meantime, that such data be collected and valuations made as will enable a proper telephone rate to be determined when conditions are ascertained to be constant.

I would, therefore, give effect to the spirit of the municipality's application and provide merely for temporary increases if necessary. In my view, however, their duration ought also not to be fixed. They should remain in effect

until operating costs and plant values become normal, when the permanent rates ought to be considered.

I would treat the application as current, so that the onus of showing what the proper rate was would rest upon the company, and in order to bring about this result would grant temporary increases if found necessary, as already stated, until further order.

Although the matter, as dealt with on this temporary basis, does not require the exhaustive statements which otherwise might be necessary, I am nevertheless of the view that the municipalities are entitled to the fullest amount of information that the company's books, as kept, will enable them to give without recourse to special valuations and exhaustive cost studies, involving as it might the detail of the whole of the company's system.

Apart from the evidence of Mr. Hagenah, which shows that further details are necessary, there is no reason why the fullest information should not be given by the company, and no reason why the public should not be taken into its fullest confidence. I would, therefore, order the delivery of further detailed particulars as follows:

1. An analysis of plant values as shown by the company's books for the period from and including 1913 down to the thirtieth of September of the current year — this analysis to show: (a) real estate, subdivided into land and buildings, (b) equipment, (c) exchange lines, (d) and toll lines; the whole as subdivided and classified in the company's books; the summary in addition to show the whole plant in service as well as that part of the plant in process of construction.

2. An analysis of the company's gross revenue for the same period. This analysis should be so subdivided as to show the amount of the company's exchange revenues, toll revenues, and non-operating revenues, giving in full the details as disclosed by the company's books and classification. Insofar as non-operating revenues are concerned, these, possibly, have nothing whatever to do with the issue. On the other hand they may, and such other details should

C. L. 86]

be given of these non-operating revenues as will enable that issue to be easily determined. In order to do this it will be necessary for the company to give not only the amount of interest or miscellaneous income received, but also to show the character of the investment, how and when acquired, and to what account the capital invested was charged.

3. An analysis of the company's expenses, covering the same periods, to be divided into items covering general operation, commercial traffic, rights and privileges, insurance, maintenance and repair, station removals and changes, depreciation of plant, and extraordinary repair charges, the whole to be given with as great detail as the classification and books of the company permit. Items for taxes should also be given, and an analysis of the tax charges made, with a view of showing whether the taxation is extraordinary as a result of the war or a permanent charge against the company's operations.

4. In view of Mr. Hagenah's criticism of the amount charged by the company to depreciation, a detailed analysis ought to be made of these items which will show, annually, the amount of depreciation charged, the average plant in service, and the resultant percentage of depreciation annually charged, calculated on the average plant in service.

5. A subdivision of depreciation should also be made which will show the basis on which depreciation is charged, subdividing it between buildings, central offices, equipment, exchange lines, and pole lines, the whole to be given in as full detail and subdivision as the company's books and classification permit.

6. Particulars should be given of the number of stations connected and disconnected, the net gain in stations, and the company's total stations annually for the whole period under review.

7. A statement giving the total number of long distance messages for the same period.

8. Particulars should also be given of the interest

until operating costs and plant values become normal, when the permanent rates ought to be considered.

I would treat the application as current, so that the onus of showing what the proper rate was would rest upon the company, and in order to bring about this result would grant temporary increases if found necessary, as already stated, until further order.

Although the matter, as dealt with on this temporary basis, does not require the exhaustive statements which otherwise might be necessary, I am nevertheless of the view that the municipalities are entitled to the fullest amount of information that the company's books, as kept, will enable them to give without recourse to special valuations and exhaustive cost studies, involving as it might the detail of the whole of the company's system.

Apart from the evidence of Mr. Hagenah, which shows that further details are necessary, there is no reason why the fullest information should not be given by the company, and no reason why the public should not be taken into its fullest confidence. I would, therefore, order the delivery of further detailed particulars as follows:

1. An analysis of plant values as shown by the company's books for the period from and including 1913 down to the thirtieth of September of the current year—this analysis to show: (a) real estate, subdivided into land and buildings, (b) equipment, (c) exchange lines, (d) and toll lines; the whole as subdivided and classified in the company's books; the summary in addition to show the whole plant in service as well as that part of the plant in process of construction.

2. An analysis of the company's gross revenue for the same period. This analysis should be so subdivided as to show the amount of the company's exchange revenues, toll revenues, and non-operating revenues, giving in full the details as disclosed by the company's books and classification. Insofar as non-operating revenues are concerned, these, possibly, have nothing whatever to do with the issue. On the other hand they may, and such other details should

C. L. 86]

be given of these non-operating revenues as will enable that issue to be easily determined. In order to do this it will be necessary for the company to give not only the amount of interest or miscellaneous income received, but also to show the character of the investment, how and when acquired, and to what account the capital invested was charged.

3. An analysis of the company's expenses, covering the same periods, to be divided into items covering general operation, commercial traffic, rights and privileges, insurance, maintenance and repair, station removals and changes, depreciation of plant, and extraordinary repair charges, the whole to be given with as great detail as the classification and books of the company permit. Items for taxes should also be given, and an analysis of the tax charges made, with a view of showing whether the taxation is extraordinary as a result of the war or a permanent charge against the company's operations.

4. In view of Mr. Hagenah's criticism of the amount charged by the company to depreciation, a detailed analysis ought to be made of these items which will show, annually, the amount of depreciation charged, the average plant in service, and the resultant percentage of depreciation annually charged, calculated on the average plant in service.

5. A subdivision of depreciation should also be made which will show the basis on which depreciation is charged, subdividing it between buildings, central offices, equipment, exchange lines, and pole lines, the whole to be given in as full detail and subdivision as the company's books and classification permit.

6. Particulars should be given of the number of stations connected and disconnected, the net gain in stations, and the company's total stations annually for the whole period under review.

7. A statement giving the total number of long distance messages for the same period.

8. Particulars should also be given of the interest

In re RATES, RULES AND REGULATIONS PRESCRIBED BY THE
POSTMASTER GENERAL.

*Dated January 15, 1919.**

**Rates, Rules and Regulations Prescribed by Postmaster General and
Filed with Commission, Disapproved — Company Attempting to
Put in Effect Rates Prescribed by Postmaster General and
Not Approved by the Commission Will Act in
Violation of State Law.**

RULING.

This is to advise you that all rates, rules or regulations which have been prescribed by the Postmaster General under his several orders, and which have affected the rate of charges, rules or regulations for the government of the conduct of telephone business in the State of Florida which have been filed with this Commission by any company have been disapproved in writing at the time.

This is to further advise you that any company attempting to put into effect any rates, rules or regulations for the conduct of telephone business within the State of Florida prescribed by the Postmaster General for the government of such business and not approved by this Commission will be in violation of the law of this State.

The Railroad Commissioners are charged with the regulation and enforcement of such matters. To avoid any penalty or other proceedings you will govern yourselves accordingly.

January 15, 1919.

* On January 23, 1919, the Circuit Court of Hillsborough County, in Chancery, granted a temporary injunction restraining the Supervisor of the United States Telegraph and Telephone Administration for independent lines in the Florida district from putting in effect or continuing in effect the intrastate toll rates prescribed by the Postmaster General in Order No. 2495. On February 5, 1919, the United States District Court refused an injunction restraining Postmaster General Burleson and the Southern Bell Telephone and Telegraph Company from putting into effect the toll rate prescribed in said Order No. 2495.

GEORGIA.

Railroad Commission.

In re APPLICATION OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY RELATIVE TO INSTALLATION AND MOVING CHARGES PRESCRIBED BY POSTMASTER GENERAL.

File No. 14195.

Decided September 12, 1918.

**Approval of Installation Charge Prescribed by Postmaster General
Denied — Moving Charge Authorized.**

RULING.

Referring to your letter of September 6, relative to installation and moving charges prescribed by Postmaster General Burleson,*

The Commission gave consideration to this matter at its meeting today, and is constrained to decline to give its approval to the installation charges as outlined by Postmaster [General] Burleson, but does approve of the moving charge to the subscriber, same to be the actual cost of labor and material necessary for making the change.†

September 12, 1918.‡

* Order No. 1931 of Postmaster General.

† Letter by the secretary of the Railroad Commission of Georgia to Mr. W. T. Gentry, president, Southern Bell Telephone and Telegraph Company, Atlanta, Georgia, September 12, 1918.

‡ Similar rulings were made upon the applications of various telephone companies as follows:

Gainesboro Telephone Co.....	Sept. 13, 1918.	File 14195
Crawfordville Telephone Co.....	Sept. 14, 1918.	File 14195
Dougless Telephone Co.....	Sept. 16, 1918.	File 14195
Hahira Telephone Co.....	Sept. 16, 1918.	File 14195
Glenwood Telephone Co.....	Sept. 16, 1918.	File 14195
Roberta Telephone System.....	Sept. 16, 1918.	File 14195
Union Telephone and Electric Co.....	Sept. 16, 1918.	File 14195

In re APPLICATION OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY AND ATLANTA TELEPHONE AND TELEGRAPH COMPANY FOR APPROVAL OF THE SALE OF PROPERTY.

File No. 14324.

Decided January 16, 1919.

Sale of Property by One Company to Another Authorized.

ORDER.

Upon consideration of the record in the foregoing application, and after hearing the evidence thereon, and it appearing that the municipalities of Atlanta, East Point, Decatur and Kirkwood had by ordinance assented to the sale, and there being no protests or objections to the same filed by any citizen or patron of the two companies, and that notice of the hearing of application on this date had been advertised in the daily newspapers of Atlanta by order of the Commission,

It is ordered, That in so far as it may be authorized so to do by law, the Railroad Commission of Georgia assents to the sale of the physical properties of the Atlanta Telephone and Telegraph Company to the Southern Bell Telephone and Telegraph Company;

It is ordered further, That until the physical properties of the said Atlanta Telephone and Telegraph Company so purchased are incorporated with and into the properties of the Southern Bell Telephone and Telegraph Company, the

Atlanta Telephone and Telegraph Co.....	Sept. 17, 1918.	File 14195
Consolidated Telephone and Telegraph Co....	Sept. 17, 1918.	File 14195
Danville Telephone Co.....	Sept. 17, 1918.	File 14195
Farmers Telephone Co.....	Oct. 17, 1918.	File 14195
Houston Telephone Co.....	Sept. 17, 1918.	File 14195
Screven Telephone Co.....	Sept. 17, 1918.	File 14195
Jasper Telephone Co.....	Sept. 18, 1918.	File 14195
Bowman Telephone Co.....	Sept. 19, 1918.	File 14195
Donaldsonville Telephone Co.....	Sept. 23, 1918.	File 14195
Pembroke Water, Light and Telephone Works	Oct. 8, 1918.	File 14195
Monroe Telephone Co.....	Oct. 9, 1918.	File 14195

C. L. 87]

existing rates and charges of the Atlanta Telephone and Telegraph Company shall continue in effect;

It is ordered further, That the Southern Bell Telephone and Telegraph Company shall not make any charges against present subscribers of the Atlanta Telephone and Telegraph Company for connecting their stations or lines with the system of the said Southern Bell Telephone and Telegraph Company;

It is ordered further, That after the properties of the Atlanta Telephone and Telegraph Company shall have been incorporated into and with the properties and system of the Southern Bell Telephone and Telegraph Company, and operated as a part of such, the Southern Bell Telephone and Telegraph Company shall then have the right and power, and it shall be its duty, to make the same charges against the former subscribers or stations of the Atlanta Telephone and Telegraph Company as it makes, and is authorized to make, for services rendered subscribers to its services.

January 16, 1919.

In re TELEPHONE RATES IN GEORGIA.

File No. 14338.

Dated January 30, 1919.

Telephone Company Ordered to Show Cause Why Intrastate Toll Rates in Effect Prior to the Effective Date of Order No. 2495 of the Postmaster General Should not be Restored.

ORDER.

Upon consideration of its record in this matter,

It is ordered, That the Southern Bell Telephone and Telegraph Company; W. T. Gentry, president of said company, and J. Epps Brown, vice-president in charge of operations of the system of said company, under federal control, and said W. T. Gentry and the said J. Epps Brown individually, show cause if any they have, before this Commission at its

meeting to be held at 10:00 o'clock A. M. on Wednesday, February 12, 1919, in its offices, State Capitol, Atlanta, Georgia, why the intrastate long distance telephone rates of said company which were in force January 20, 1919, which said intrastate long distance telephone rates were those filed, approved and made its rates by the Railroad Commission of Georgia, should not be restored and charged by said company, by said officials in charge of the operations of the system of said company under federal control, and why said officials and as individuals should not restore said charges.

January 30, 1919.

IDAHO.

Public Utilities Commission.

In re APPLICATION OF THE POTLATCH TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Case No. F-241 — Order No. 547.

Decided January 11, 1919.

**Increase in Switching Rates Authorized — Establishment of Installation
Charge Authorized.**

OPINION AND ORDER.

This is an application by Potlatch Telephone Company for permission and authority of this Commission to increase its present charge of 25 cents per month per 'phone for switching service for farmers' lines to 50 cents per month per 'phone.

The application shows that applicant is a co-partnership, the partners being Otto Schupfer and Herman Schupfer, with its principal place of business at Juliaetta, Idaho, owning and operating a telephone exchange at Kendrick and furnishing telephone service to the public in the towns of Kendrick and Juliaetta and in intervening and surrounding territory, all in Latah County, Idaho, and that it owns and operates about one hundred fifteen miles of iron circuits; also that it performs switching service for various telephone lines owned and maintained by farmers in said territory.

Applicant alleges that its plant and system are worth the sum of \$5000; that its operations did not yield a profit during the year 1917, and while its revenue had not increased during the year 1918, its operating expenses had increased for that period at least 15 per cent. over the previous year; that its present charge of 25 cents per month per 'phone for switching service for farmers' lines is low and discriminatory in comparison with its charges for other service rendered by it.

Due notice of said application was given to the villages of Kendrick and Juliaetta, and a public hearing on the application was held on December 2, 1918, before Commissioners Erb and Freehafer. No formal protest against the granting of the application was filed, but some eight or ten stockholders and representatives of the various rural lines connected with applicant's system appeared at the hearing and cross-examined applicant's witnesses and offered testimony, and made statements in opposition to the granting of the application.

The following table shows the present and proposed rates of applicant:

	<i>Present Rates</i>	<i>Proposed Rates</i>
One-party line	\$2 50	\$2 50
Two- and three-party lines.....	2 25	2 25
Three- to six-party lines.....	1 50	1 50
Telephones in residences one-party line.....	1 50	1 50
Two- to six-party lines.....	1 00	1 00
Six- to ten-party lines.....	75	75
Farmers on lines and equipment owned by company	1 00	1 00
Switching charges for farmers on lines owned by farmers using them.....	25	50

At the hearing applicant asked permission and authority of the Commission to make a charge of \$2.50 per 'phone for all 'phones hereafter installed by it on its system.

Exhibits introduced by applicant and not disputed show that its operating expense for the year 1917, including taxes and license fees paid, but not including any allowance for depreciation, amounted to \$3,649.97, and that its revenue for the same period was \$4,160. A fair deduction for depreciation based on any reasonable value for applicant's plant and system would leave a very small margin of profit for return on the investment. Since the Commission has made no attempt at fixing the value of applicant's property used and useful in serving its patrons, no increase in rates will be allowed for the purpose of producing revenue sufficient to provide a fair return on the investment, but only such

C. L. 87]

increase will be authorized as will meet the increased operating expenses occasioned by war conditions.

The Commission finds from the testimony that applicant's operating expenses for the year 1918 are approximately 15 per cent. higher than for the year 1917.

The number of 'phones served by applicant and the rates charged therefor are classified as follows:

<i>Number of Telephones</i>	<i>Rates Per Month</i>
14	\$2 50
12	2 25
16	1 50
131	1 00
24	75
289..... Farmers switched at	25

The testimony shows that the expenses fairly attributable to the service of switching the farmers' lines is greater than the total revenue derived therefrom, and that such service contributes no revenue available for depreciation, taxes or return on investment.

The Commission finds that the present charge of 25 cents per 'phone per month for switching farmers' lines is low and discriminatory in comparison with the rates charged by applicant for its other service, and that said charge should be increased.

The Commission believes that the proposed installation charge of \$2.50 per 'phone is reasonable and just. There appears to the Commission no good reason why the expense of installing a 'phone which may perhaps be used only a short period of time, should be charged as a system expense, and consequently reflected in the rates which must be paid by permanent patrons.

An increase of 15 per cent. in operating expenses based on the operating expenses of \$3,544 for 1917, will amount to \$531.60. An increase of 15 cents per 'phone per month for switching farmers' lines, based on 289 such 'phones now served, will provide additional revenue to the amount of \$520.20 per annum. The Commission has no definite information as to the increase in applicant's annual revenue

which will result from the allowance of an installation charge of \$2.50 per 'phone, and it estimates that such increase will be \$30.00 per annum.

The Commission finds that the said increase as calculated in the two preceding paragraphs will produce sufficient revenue to meet applicant's increased cost of operation due to war conditions, and that same should be permitted and authorized to be made effective on and after February 1, 1919.

It is, therefore, ordered, That applicant, Potlatch Telephone Company, be, and it hereby is, permitted and authorized to charge and collect 40 cents per 'phone per month for its service in switching 'phone calls originating on farmers' lines and equipment not owned by it.

It is further ordered, That said applicant be, and it hereby is, authorized and permitted to charge and collect the sum of \$2.50 per 'phone for all 'phones installed by it on its lines on and after February 1, 1919.

It is further ordered, That applicant file with this Commission within ten days a schedule of rates in conformity with the findings and order herein.

Done in open session at Boise, Idaho, this eleventh day of January, 1919.

In re APPLICATION OF THE TROY TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Case No. F-242 — Order No. 548.

Decided January 17, 1919.

**Increase in Business and Switching Rates Authorized — Establishment
of Installation Charge Authorized.**

OPINION AND ORDER.

This is an application by Troy Telephone Company for permission and authority of this Commission to increase certain of its rates and charges for telephone service.

The application shows that applicant is a co-partnership, the partners being Edward Solberg and Alfred H. Christie,

C. L. 87]

with its principal place of business at Troy, Idaho; that it owns and operates a telephone exchange and furnishes telephone service in said town of Troy and performs switching service for various telephone lines owned and maintained by farmers in the surrounding country; that it owns and operates about fourteen miles of iron circuits.

Applicant alleges that its plant and system are worth the sum of \$4,000; that it has operated its plant and system at a minimum expense in the past, but that such expense must be materially increased in the immediate future; that the principal reason for asking an increase in rates at this time is the necessity of increasing the wages of its employees who operate its said exchange in the town of Troy; that its present rates do not produce sufficient revenue to pay its operating expenses and make any allowance whatever for depreciation of the plant or return on the investment.

Due notice of said application was given to the village of Troy, and a public hearing on the application was held at Troy, Idaho, on December 2, 1918, before Commissioners Erb and Freehafer. No formal protest or objection to the granting of the application was filed, but a letter received by the Commission from the village clerk stated that the board of trustees of the village of Troy would not oppose or object to the proposed increases in rates, providing the telephone company would give the people of the community efficient service. Members of the board of trustees of the village of Troy and several stockholders and representatives of the various rural lines connected with applicant's system appeared at the hearing and cross-examined applicant's witnesses and offered testimony and made statements in opposition to the granting of the application.

The following table shows the present and proposed rates of applicant:

	<i>Present Rates</i>	<i>Proposed Rates</i>
Business 'phones, one-party line.....	\$2 50	\$3 00
Business 'phones, two-party line.....	2 00	2 50
Residence 'phones, one-party line.....	2 00	2 00
Residence 'phones, two- to four-party line.....	1 25	1 25
Switching charges for farmers on lines owned by farmers using them	25	50

At the hearing applicant asked permission and authority of the Commission to make a charge of \$2.50 per 'phone for all 'phones hereafter installed by it on its system. Applicant's Exhibit B attached to the application herein shows that its operating expenses, including taxes, but not including any allowance for depreciation for the year 1916, amounted to \$1,600; and its receipts for the same period amounted to \$1,650; that its operating expenses, including taxes but not including any allowance for depreciation, for the year 1917, amounted to \$1,675, and its receipts for the same period amounted to \$1,830. It is very evident that if a fair allowance is made for depreciation based on any reasonable value for applicant's plant and system, the operations for the years 1916 and 1917 would show a deficit. The Commission has made no attempt to fix the value of applicant's property used and useful in serving its patrons, and will not at this time attempt to establish rates that will produce revenue sufficient to pay operating expenses, including taxes and depreciation, and provide a return on the investment. Only such increases will be authorized herein as will provide funds to meet necessary increases in the wages of applicant's employees in its Troy exchange.

It appears from the testimony that applicant at the present time has but two operators in its said exchange, who are paid \$26.00 per month each. In order to give all night service it will be necessary to employ an additional operator.

The 'phones served by applicant are classified as follows:

Single business 'phones	10
Business 'phones on party lines.....	13
Two-party residence lines	5
Four-party residence lines.....	36
Farmer subscribers on lines owned by farmers.....	187

The testimony shows that the expenses fairly attributable to the service of switching the farmer lines is greater than the total revenue derived therefrom, and that said service contributes no revenue available for depreciation, taxes or return on investment.

The Commission finds that the present charge of 25

C. L. 87]

cents per 'phone per month for switching farmer lines is low and discriminatory in comparison with the rates charged by applicant for its other service, and that said charge should be increased, but that the proposed increase amounting to 100 per cent. of the present charge is excessive. Applicant will be allowed to increase his charge for switching farmer lines to 40 cents per 'phone per month.

The Commission believes that the proposed installation charge of \$2.50 per 'phone is reasonable and just.

There appears to the Commission no good reason why the expense of installing a 'phone which may perhaps be used only a short period of time should be charged as a system expense, and consequently be reflected in the rates which must be paid by permanent patrons.

The increase of 50 cents per month in the rates for one-party and two-party business 'phones as proposed in the application, will increase applicant's annual revenue in the sum of \$138. An increase of 15 cents per 'phone per month for switching farmer lines will provide additional revenue in the sum of \$336 per annum. The Commission has no definite information as to the increase in revenue which will result from the allowance of an installation charge of \$2.50 per 'phone, but estimates that this charge will produce revenue to the amount of \$30.00 per annum.

The Commission finds that the increases as above calculated will produce sufficient revenue to meet applicant's increased cost of operating its exchange in Troy and permit it to render efficient service to its patrons, and that same should be permitted and authorized to be made effective on and after February 1, 1919.

It is, therefore, ordered, That applicant, Troy Telephone Company, be, and it hereby is, permitted and authorized to charge and collect the following rates for telephone service:

	<i>Per Month</i>
Business 'phones, one-party line.....	\$3 00
Business 'phones, two-party line.....	2 50
Residence 'phones, one-party line.....	2 50
Residence 'phones, two- and four-party line.....	1 25
Switching charges for farmer lines owned by farmers using them	40

It is further ordered, That applicant be, and it hereby is, permitted and authorized to charge and collect the sum of \$2.50 per 'phone for all 'phones installed by it on its lines on and after February 1, 1919.

It is further ordered, That applicant file with this Commission within ten days a schedule of rates in conformity with the findings and order herein.

Done in open session at Boise, Idaho, this seventeenth day of January, 1919.

ILLINOIS.

Public Utilities Commission.

In re PUBLISHING NOTICE OF APPLICATION TO CHANGE RATES
AND POSTING COPIES OF PROPOSED SCHEDULES.

General Order No. 48.

Decided July 1, 1918.

**Rules with Respect to Publishing Notice of Application and Posting
Copies of Proposed Schedules, Prescribed.**

GENERAL ORDER.

All public utilities, except steam and interurban railways, transacting business in the State of Illinois, are hereby ordered as the occasion arises, to publish notice of application, and post copies of proposed schedules as hereinafter provided:

Whenever public utilities, except steam and interurban railways, shall file with the Public Utilities Commission of the State of Illinois, any schedule, rate, rule or regulation, which would result in an increase in any rate or charge, such public utility shall, immediately following the filing of such schedule, rate, rule or regulation, cause to be published in not less than three inches of space once each week for two successive weeks, in some secular newspaper (that has been regularly published for at least six months prior to the first publication of such notice), published in, or of general circulation in every city, town or community affected by the proposed change, the following notice; *provided*, that when cities of more than 10,000 population are affected, such notice shall be published as above specified in at least two such newspapers in such cities:

NOTICE OF PROPOSED
CHANGE IN RATES.

To patrons of.....

(Name of company)

The hereby gives

(Name of company)

notice to the public that it has filed with the Public Utilities Commission
of Illinois schedules which will change the rates for

..... in County
(Kind of service) (Name of town)

of, and that the said change of rates

involves an increase in

(State classification, rate or provision)

A copy of the proposed schedules may be inspected by any interested
party at the office of this company in

(Name of town)

All parties interested in this proceeding may obtain information as to
time and place of hearing upon this matter, by addressing the secretary
of the Public Utilities Commission at Springfield, Illinois.

(Signed)

By.....

(Official title)

No hearing shall be had upon any schedule involving a
change in any rate which would result in an increase in any
rate or charge until proof of publication of the notice of
the filing of the said schedule herein provided for shall have
been made to this Commission.

All public utilities publishing notice as required by this
order shall, not later than the date of the first publication,
post in each local office a copy of proposed schedules, in so
far as the same in any way affect the patrons of such local
office, and such schedules must be so placed that they may
be inspected by any person during regular business hours.
Such schedules shall remain so posted until the final action
of the Commission. If any schedule is filed affecting a

C. L. 87]

municipality in which the company does not maintain a local office, then a copy of such schedule shall be delivered to the municipal authorities, whose receipt for same shall be filed with the Commission.

General Order No. 26 (Conference Ruling No. 26),* in the matter of publishing notice of application to change rates, adopted by this Commission on the twenty-ninth day of January, 1917, is hereby vacated and set aside.

By order of the Commission, dated at Springfield, Illinois, this first day of July, 1918.

In re APPLICATION OF MANHATTAN TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES IN MANHATTAN AND
VICINITY.

No. 8323.

Decided January 6, 1919.

**. Increase in Business, Residence, and Rural Rates Authorized — Prompt
Payment Discount Authorized — Allowance of 6.1 Per Cent. for
Reserve for Depreciation Made — Allowance of 5 Per
Cent. for Rate of Return Made — Valua-
tion Made.**

Applicant sought authority to increase business, and residence and rural rates from the present rates of \$23.00 and \$15.00, respectively, per year, to \$26.00 and \$18.00 per year. The plant was valued at \$31,000 in 1915. The Commission's engineers, using average prices for the five-year period, 1912 to 1916, and including materials and supplies, found the reproduction cost new was \$23,459, and estimated the actual annual depreciation occurring in the physical portion of the plant at \$2,037. The Commission estimated annual expenses, including reserve for depreciation, at \$7,883, and annual revenues at present rates at \$8,416, including \$1,884 toll revenue and \$39.00 miscellaneous revenue. Proposed rates would increase the total revenues to \$9,658 per year. In 1918, \$919.34 in local rentals were not collected. The Commission found that if revenues were collected with reasonable promptness present rates yielded a net revenue of \$533, or 1.9 per cent., and that if the proposed rates were authorized, subject to a prompt payment discount, the annual net return would be approximately \$1,361, or 5 per cent.

* See Commission Leaflet No. 64, p. 890.

Held: That taking into consideration every fact and circumstance bearing upon value, making allowance for working capital and including present stock of materials and supplies, the fair value of the property used and useful in furnishing service, and the business attached thereto, including every element of value, tangible and intangible, was at least \$27,500;

That applicant should be authorized to put into effect the proposed schedule of rates, subject to a discount for prompt payment in the amount of 25 cents per quarter, per station, provided rentals were paid at or before a definite date of the quarter in which the service was rendered;

That the company should set aside annually, to provide a reserve for depreciation, a sum which was not less than 6.1 per cent. of the cost of reproduction new based on average prices for labor and material for the five-year period, 1912 to 1916, inclusive, plus 6.1 per cent. of the cost of all additions made in the future.

OPINION AND ORDER.

The application filed herein sets forth that petitioner is a public utility, engaged in the operation of a telephone system in Manhattan, county of Will, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities, and asks for the issuance of an order authorizing the placing in effect of increased rates for telephone service. The present rates in Manhattan and vicinity, as shown by schedule on file with the Commission, together with the proposed advanced rates, are as follows:

	<i>Annual Rates</i>	
	<i>Present</i>	<i>Proposed</i>
Business stations	\$23 00	\$26 00
Residence stations	15 00	18 00
Rural stations	15 00	18 00

The matter came on for hearing before the Commission on July 23, 1918. The Manhattan Telephone Company was represented by *Mr. N. Lynk*, treasurer; no objectors appearing. The annual reports of the Manhattan Telephone Company, as filed with the Commission, were made a part of the record in the case by petitioner. No inventory and appraisal of plant was furnished. Testimony was offered

C. L. 87]

to the effect that on an inventory and appraisal made in 1915 the plant was valued at approximately \$31,000.

A statement submitted by petitioner indicates that service was being furnished to 414 telephone stations on November 19, 1918, distributed and classified as follows:

	<i>Per Year</i>	
City residence stations at.....	\$15 00	80
City business stations at.....	23 00	25
Country rural stations at.....	12 00	1
Country rural stations at.....	15 00	296
Country rural stations at.....	18 00	3
Country business stations at.....	23 00	4
Country business stations at.....	24 00	5

Comparison of the schedule on file with the Commission, and the above classification, distribution and rate schedule furnished by petitioner, indicates that the schedule of rates now on file does not fully cover the rates being charged.

The plant is of the magneto type, with grounded circuits to all subscribers, and includes all the rural telephone stations served.

An inventory and appraisal of the plant involved has been made by the Commission's engineers. The reproduction cost new, using average prices for labor and material, based upon the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$23,459.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$2,037.

A report of revenue and expense as furnished by petitioner has been carefully considered to determine the normal average annual operating expense. It is evident from this report that the method of keeping accounts in use by the Manhattan Telephone Company does not fully conform with the requirements of the Commission. A reasonable interpretation of the data submitted, however, indicates

that the total average annual operating expense, exclusive of an allowance for depreciation, plus deductions from gross revenue equal to items falling under this head, actually paid in 1917, is approximately \$5,846 per annum. Including the allowable annual charge to provide a reserve against depreciation, as fixed by the Commission, the annual operating expense, which appears to be shown in the record, is \$7,883.

In the statement furnished by petitioner, giving the station distribution, classification and rates in effect as of November 19, 1918, an annual revenue of \$6,493 from local telephone rentals is indicated.

The average annual toll revenue, based upon actual receipts for the year 1917 and the first six months of 1918, is \$1,884, while the average annual miscellaneous revenue, based upon receipts for the same period, is \$39.00. It is certain, therefore, that petitioner's average annual revenue, based upon actual present operating conditions, should be approximately \$8,416. This sum was not realized, however, as uncollected local rentals amounting to a substantial sum seriously reduced the total actual receipts.

The proposed change in the local rates, as set out in the application, consists of a horizontal increase of \$3.00 per year on each of the telephone stations served. This advance, if authorized, will increase the normal annual operating revenue \$1,242, provided the present number of stations is maintained, producing a total revenue, including toll and miscellaneous, of approximately \$9,658 per year.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making the allowance for the necessary working capital, and including the present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Manhattan and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, as of November 1, 1918, is at least \$27,500.

C. L. 87]

In view of the showing made by petitioner in the record, as to operating expense, and after careful consideration of all circumstances and facts involved, the Commission is of the opinion, and finds that the failure of petitioner to promptly collect rentals for local telephone service has apparently seriously impaired the revenue available for carrying on the business. This is clear in view of the fact that the classification and distribution of telephone stations as of November 19, 1918, indicate an annual local revenue of approximately \$6,493, while only \$5,574.34 in local rentals is reported as having been actually collected.

It is evident that the net income on the basis of the present revenue, when such is collected with reasonable promptness, as shown by the record, amounts to approximately \$533, which is 1.9 per cent. per annum on the fair value of the property as of November 1, 1918, for rate-making purposes as determined by the Commission.

The financial statements submitted are not entirely clear as to the items properly chargeable to operating expense. It is evident, however, that the operating expense could be much lower than reported without unjustifiably increasing the net rate of return realized under the rates now in effect. The proposed schedule, increasing revenue approximately \$1,242 per annum, will produce a net return of approximately \$1,775 per annum, 6.4 per cent. on the fair value of the property as of November 1, 1918, for rate-making purposes, as determined by the Commission. In view of all the facts, the Commission is therefore of the opinion and finds, that the proposed schedule of rates, subject to a discount for prompt payment, is justified, and that such discount should be 25 cents per quarter, per station, provided rentals are paid on or before a definite date in the quarter in which the service is rendered, in order to place at the disposal of petitioner the full normal operating revenue. Such a discount applied to the proposed schedule will leave a probable minimum net increase in annual operating revenues of approximately \$838. Should the present number and classification of subscribers' stations be maintained the

resulting annual net income available for return will be approximately \$1,361, which is approximately 5 per cent. on the fair value of the property as fixed by the Commission for rate-making purposes.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Manhattan Telephone Company be, and the same hereby is, authorized to discontinue the schedule of rates now in effect in Manhattan and vicinity, and to substitute therefor the following modification of the proposed schedule.

	<i>Annual Rate</i>
Business stations (city).....	\$26 00
Residence stations (city)	18 00
Rural stations	18 00

A discount of 25 cents per quarter applies to the above rates if payment is made quarterly, at the office of the company, on or before the fifteenth day of the second month of the current calendar quarter in which the service is rendered. Current calendar quarters shall be construed to mean three-month periods, beginning January 1, April 1, July 1, and October 1, of each year.

Section 2. That the Manhattan Telephone Company set aside annually, to provide a reserve against depreciation, a sum which is not less than 6.1 per cent. of the cost to reproduce the entire physical property in Manhattan and vicinity new, based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, plus 6.1 per cent. of the cost of all additions made in the future.

Section 3. That the schedule of rates authorized herein shall be filed, posted, and published by the Manhattan Telephone Company in conformity with Section 34, of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois, and that it shall be known as I. P. U. C. 2 and shall become effective as of January 15, 1919.

By order of the Commission, at Springfield, Illinois, this sixth day of January, 1919.

* See Commission Leaflet No. 54, p. 21.

In re APPLICATION OF FARINA MUTUAL TELEPHONE COMPANY FOR AUTHORITY TO ISSUE STOCK, FOR AN ORDER CONSENTING TO THE PURCHASE FROM FARINA MUTUAL TELEPHONE COMPANY, A PARTNERSHIP, OF THE SYSTEM AND PROPERTY IN FARINA, AND FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY, ETC.

No. 8056.

Decided January 8, 1919.

Sale of Exchange Authorized — Certificate of Convenience and Necessity Issued — Issue of Stock to Replace Stock Issued without Authority of the Commission, Authorized — Issue of Stock to Extend or Rebuild Lines Authorized.

OPINION AND ORDER.

Application was made to the Public Utilities Commission of Illinois, by the Farina Mutual Telephone Company, a corporation, a public utility organized under the laws of the State of Illinois, for authority to issue \$7,000 of its capital stock.

A hearing was had at the office of the Commission in Springfield, Illinois, on June 5, 1913, and the petitioner appeared and presented all the evidence it then saw fit to present. After said hearing another petition was filed in this case asking that a certificate of convenience and necessity be issued to said corporation to operate a telephone exchange and system in Farina and vicinity, in Fayette County, Illinois. There was also filed in this case a petition asking that the purchase by said corporation of the telephone exchange and property in Farina, Illinois, from the Farina Mutual Telephone Company, a partnership, be approved, and that the stock wrongfully issued by said corporation in payment for the above mentioned property be recalled and cancelled, and that permission be given for the issuance of \$6,500 of the capital stock of said corporation to take the place of an equal amount of stock wrongfully issued in non-compliance with the law, and disposed of in securing the above mentioned property.

A second hearing was had in the office of the Commission in Springfield, Illinois, on December 3, 1918, and witnesses were sworn and examined on behalf of the petitioner herein.

From the evidence taken on the several hearings in this case, it appears to the Commission that the petitioner, the Farina Mutual Telephone Company, incorporated, is now engaged in the operation of a telephone system in Farina and vicinity, Fayette County, Illinois, and that said incorporated company acquired the telephone property in question from a copartnership of persons who styled themselves the Farina Mutual Telephone Company. The members of said partnership more than three years ago desired to incorporate and change from a partnership to a corporation, and for that purpose they applied to the Secretary of State, and after going through the usual legal form were duly incorporated. It appeared then that 53 persons composed the partnership, 41 of whom owned and had one telephone and 12 of whom owned and had two telephones. The scheme adopted by the partnership and carried out by the partners was to issue 65 shares of the capital stock of said corporation, each share being \$100, and give each person one share of stock, except that the persons who owned two telephones were each to receive two shares of stock, and in this way they attempted, without the consent of this Commission, to dissolve and blot out the partnership and transfer all the property to the newly incorporated Farina Mutual Telephone Company.

From the evidence in this case it appears that the incorporators of said company did not know that they should get the consent of this Commission to the transaction above referred to, and now they appear before the Commission and ask that their acts as hereinabove detailed shall be approved.

It appears to the Commission that there was no intent to commit an unlawful act or to do anything that was dishonest or unfair, and that the things that were done, as above detailed, were in themselves proper and right, and the only mistake being that the consent of this Commission

C. L. 87]

was not obtained at the time, and it appears to the Commission now that the transaction between the partnership and the said incorporated company should be approved.

The company was incorporated for \$7,000, and it appears from the evidence that the property in question is worth at least \$6,500, but no valuation is set upon the property for rate-making purposes as there is no question of rates involved in this case now before the Commission. No money was acquired by the corporation for the issuance and sale of said stock, but as above stated it received therefor all the property theretofore owned by the said partnership.

In view of the fact that said corporation is a public utility and that it issued its stock without the permission of this Commission, the company now desires the Commission to consent to the issuance of \$6,500 of its capital stock to take the place of the \$6,500 of capital stock heretofore issued without the consent of this Commission, and said company also asks the consent of this Commission to the issuance of \$500 of its capital stock to be sold whenever said corporation needs the money for extending or rebuilding its lines.

The Commission finds that the \$6,500 of the capital stock of said corporation was issued and delivered to members of the partnership and that the issuance of said stock was not for the purpose of disobeying the law or rules of this Commission, but was issued in ignorance of the law, and it is therefore proper that the prayer of the petition should be granted; and it appears to the Commission that the application of the Farina Mutual Telephone Company, a corporation, for a certificate of convenience and necessity to acquire and operate a telephone system in Farina and vicinity, Fayette County, Illinois, is reasonable and should be granted.

It is, therefore, ordered by the State Public Utilities Commission of Illinois, as follows:

First. That a certificate of convenience and necessity to acquire and operate a telephone exchange and system in Farina and vicinity, Fayette County, Illinois, be, and the

same is, hereby granted by this Commission to the Farina Mutual Telephone Company, a corporation, under Section 55 of an Act to Provide for the Regulation of Public Utilities, approved June 30, 1913, and in effect January 1, 1914, and that said certificate be issued under the seal of this Commission and authenticated by its secretary.

Second. That the Farina Mutual Telephone Company be, and it is, hereby authorized to issue its common capital stock in the aggregate amount of \$7,000, being 70 shares of the par value of \$100 each.

Third. That the \$6,500 of the capital stock heretofore issued without the authority of this Commission as afore-said, shall forthwith be taken up and cancelled and a certificate to that effect filed with this Commission.

Fourth. That \$6,500 of the stock herein authorized shall be given to stockholders who now hold the stock which was improperly issued, upon their surrender of the stock now held by them, each stockholder receiving of the new stock the same amount that he now holds of the old stock.

Fifth. That the remaining \$500 of the stock herein authorized to be issued shall be sold when it is necessary to sell the same, so as to net the company not less than the par value thereof, and the proceeds of the sale of said \$500 of said stock shall be used for extending or rebuilding the lines of the company and for no other purpose.

Sixth. That the company shall, before the delivery of said stock herein authorized to be issued, cause to be printed, stamped or engraved upon the face of each certificate of stock, for the proper and easy identification thereof, the following:

" PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NUMBER 774.

January, 1919."

Seventh. That the said Farina Mutual Telephone Company, incorporated, shall, within ninety days from the service of this order upon it, exchange 65 shares of the stock herein authorized for the 65 shares of unauthorized stock

C. L. 87]

now outstanding, and shall, within said ninety days, file its verified report, in duplicate, to this Commission, showing the exchange of stock as above mentioned, and the destruction of said unauthorized stock, and that a record of its actions in this behalf be kept by said corporation, and that such record, with accounts and vouchers, etc., shall be open to audit and may be audited from time to time by accountants and examiners designated for such purpose by this Commission.

Eighth. That whenever the other \$500 of stock herein authorized shall be sold by said corporation, it shall not be sold for less than par, and the said company shall file a verified report, in duplicate, with this Commission, stating the sale of such stock, the moneys realized therefrom, and the use and application of such moneys, and that such report shall be made within six months from the sale of said \$500 of stock, and the accounts of said corporation in relation to said \$500 of stock, with the records and vouchers, shall be open to audit, and may be audited from time to time by accountants and examiners designated for such purpose by this Commission.

Ninth. That the said Farina Mutual Telephone Company shall pay the fees due the Secretary of State for the issuance of the \$7,000 of capital stock herein authorized and shall file, in duplicate, a report of such payment with the Commission before any of such stock shall be issued.

By order of the Commission, at Springfield, Illinois, this eighth day of January, 1919.

In re APPLICATION OF CHICAGO TELEPHONE COMPANY FOR
AUTHORITY TO PLACE IN EFFECT INCREASED TOLL AND
LONG DISTANCE RATES TO ALL CONNECTING POINTS.

No. 8838.

*Decided January 15, 1919.**

**Toll Rates and Classifications Authorized by Postmaster General,
Suspended Pending a Hearing by Commission.**

SUSPENSION ORDER.

On January 7, 1919, the Chicago Telephone Company filed with the Commission, purported schedules of rates and certain tabulated methods for computing toll and long distance telephone rates between points to which the said Chicago Telephone Company is prepared to furnish toll and long distance service in the State of Illinois, in which it is further proposed that such rates, computed in accordance with the methods filed, become effective on January 21, 1919.

It appears from an examination of said purported schedules and the methods of computing proposed toll and long distance telephone rates, that such proposed rates, applying to messages between any two given points in the State of Illinois, are difficult if not impossible of exact determination; that the forms in which such rates covered by the application are indicated, do not conform with the statute of the State of Illinois in such case made and provided, nor do they comply with the rules and regulations and the practice provided by this Commission. It further appears from an examination of such alleged schedules that they contemplate a very substantial increase in toll and long distance rates within the said State of Illinois, and in other material measures they are at variance with its present schedule of rates on file with this Commission, and that the Commission should enter upon a hearing concerning the propriety of placing in effect such rates as may be com-

* On January 20, 1919, the company was enjoined in the Superior Court of Cook County from disobeying the above suspension order.

C. L. 87]

puted under the proposed method, and that pending the hearing thereon the said purported schedule of rates and the proposed tabulated methods of computing toll and long distance telephone rates, and such rates as may be based thereon, should not go into effect.

It is, therefore, ordered, That the said purported schedules, and the proposed tabulated methods of computing toll and long distance telephone rates within the State of Illinois, and such rates as may be based thereon, be, and the same are hereby, suspended until June 6, 1919.

By order of the Commission at Springfield, Illinois, this fifteenth day of January, 1919.*

In re APPLICATION OF THE AMERICAN TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO PLACE IN EFFECT INCREASED TOLL AND LONG DISTANCE RATES TO ALL CONNECTING POINTS.

Case No. 8839.

Decided January 15, 1919.

Toll Rates and Toll Classifications Prescribed by Postmaster General in Order No. 2495 Suspended.

SUSPENSION ORDER.

On January 6, 1919, the American Telephone and Telegraph Company filed with the Commission purported schedule of rates, and certain tabulated methods for computing toll and long distance telephone rates between points to which the said American Telephone and Telegraph Company is prepared to furnish toll and long distance service in the State of Illinois, in which it is further proposed that such rates, computed in accordance with the methods filed, become effective on January 21, 1919.

It appears from an examination of said purported schedules, and the methods of computing proposed toll and long

* By similar orders on January 15, 1919, the toll rates and toll classifications prescribed in Order No. 2495 of the Postmaster General were suspended until May 31, 1919 in the case of the Southern Bell Telephone and Telegraph Company and the Cumberland Telephone and Telegraph Company, Case No. 8842; and until June 10, 1919 in the the case of the Kinloch Long Distance Telephone Company, Case No. 8843.

distance telephone rates, that such proposed rates, applying to messages between any two given points, in the State of Illinois, are difficult if not impossible of exact determination; that the forms in which such rates covered by the application are indicated do not conform with the statute of the State of Illinois in such case made and provided, nor do they comply with the rules and regulations and the practice provided by this Commission. It further appears from an examination of such alleged schedules that they contemplate a very substantial increase in toll and long distance rates within the said State of Illinois, and in other material measures they are at variance with its present schedule of rates on file with this Commission, and that the Commission should enter upon a hearing concerning the propriety of placing in effect such rates as may be computed under the proposed method, and that pending the hearing thereon the said purported schedule of rates, and the proposed tabulated methods of computing toll and long distance telephone rates, and such rates as may be based thereon, should not go into effect.

It is, therefore, ordered, That the said purported schedules, and the proposed tabulated methods of computing toll and long distance telephone rates within the State of Illinois, and such rates as may be based thereon, be, and the same are, hereby suspended until June 5, 1919.

By order of the Commission at Springfield, Illinois, this fifteenth day of January, 1919.*

FIRST SUPPLEMENTAL ORDER.

January 23, 1919.

On January 21, 1919, the American Telephone and Telegraph Company filed with the Commission a schedule of long distance rates between various points in Illinois, and proposed that such rates become effective on January 21, 1919.

It appears, from an examination of the schedule filed, applying to messages between points in the State of Illinois,

* On January 20, 1919, the company was enjoined by the Superior Court of Cook County from disobeying the above suspension order.

C. L. 87]

that the Commission should enter upon a hearing concerning the propriety of the proposed rates, and that, pending the hearing and the decision thereon, the said proposed rates should not go into effect.

It is, therefore, ordered, That the proposed rates for long distance connections between various points in the State of Illinois, stated in the schedule filed, of the American Telephone and Telegraph Company, and entitled

“ First Reference List for Rates of the American Telephone and Telegraph Company to Points within the State of Illinois.”

be, and the same are, hereby suspended until June 21, 1919.

By order of the Commission at Springfield, Illinois, this twenty-third day of January, 1919.*

In re PROPOSED ADVANCE IN RATES OF JERSEYVILLE TELEPHONE COMPANY.

Case No. 8612.

Decided January 22, 1919.

Increase in Business, Residence and Rural Rates Authorized — Allowance for Reserve for Depreciation Fixed — Rates Yielding 5.7 Per Cent. Return Approved.

The Jerseyville Telephone Company sought authority to increase its rates in Jerseyville.

The Commission's engineers found that the cost of reproduction new, using the average prices for labor and material based upon the five-year period from 1912 to 1916, was \$75,293 and that the reproduction cost new less depreciation was \$60,028. The Commission found that during 1917 and 1918 average operating expenses, including an annual allowance of \$4,383 to provide for reserve for depreciation, were \$14,415 and that the average annual operating revenue for the same period, including \$1,908 toll revenue, was \$16,165; that had \$4,605, the amount found reasonable for annual reserve for depreciation been allowed instead of \$4,383, as set aside by the company, the average operating result for the years 1917 and 1918 would have been \$1,528.

Held: That after carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital and

* On February 4, 1919, the toll rates and toll classifications prescribed in Order No. 2495 of the Postmaster General were suspended until June 30, 1919, in the case of Christian County Telephone Company, No. 8870.

including present stock of materials and supplies, the fair value of the property used and useful in furnishing telephone service in Jerseyville and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, was at least \$70,000 as of August 1, 1918;

That an allowance of \$4,500 plus 6 per cent. of the cost of all additions made in the future, should be set aside annually to provide a reserve for depreciation;

That the increase in the rate for individual line business stations from \$24.00 per annum to \$36.00 per annum with a discount of 25 cents per month for prompt payment was not justifiable; that under a modification of the proposed schedule in which the rate for individual line business stations would be \$33.00 per annum, subject to a discount of 25 cents per month for prompt payment, the operating revenues would be increased approximately \$2,478;

That including a proper allowance to provide an adequate reserve for depreciation as determined by the Commission, the modified schedule of rates would insure a return, over all operating expenses, of approximately \$4,006, about 5.7 per cent. on the value of the property as found by the Commission; therefore, the proposed rates as modified should be authorized.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Jerseyville, county of Jersey, and vicinity, having been filed by the Jerseyville Telephone Company, and a hearing before the Commission on the matter being necessary, an order was entered, suspending the placing in effect of the proposed rates until March 30, 1919. The present rates are as follows:

	<i>Per Annum</i>
Individual line business stations.....	\$24 00
Individual line residence stations.....	18 00
Rural multi-party line stations, 10 stations.....	18 00
Two-party selective signalling for town subscribers near city limits	18 00
Extension telephones, business	12 00
Extension telephones, residence	9 00

The schedule filed proposes to discontinue the present rates, and to establish in lieu thereof, the following:

C. L. 87]

	<i>Per Annum</i>
Individual line business stations.....	\$36 00
Two-party line business stations.....	33 00
Individual line residence stations.....	27 00
Two-party line residence stations.....	21 00
Extension telephones, business or residence.....	9 00
Extension bells, business or residence.....	6 00
Extra listing in directory, business or residence.....	12 00
Rural multi-party, metallic line residence stations.....	21 00
Rural multi-party, grounded line residence stations.....	13 00
Rural subscribers owning and maintaining their lines and telephone and connecting with the lines of the company at the exchange limits	4 00

All rates are subject to a discount of 25 cents per month if paid on or before the fifteenth of the month in which the service is rendered.

The matter came on for hearing before the Commission on October 29, 1918. The Jerseyville Telephone Company was represented by *O. M. Burgess*, no objectors to the proposed rates appearing. Petitioner introduced as exhibits an inventory and appraisal of plant, annual revenue and expense statements for the years 1917 and 1918, and proof of publication of a notice of intention to apply for authority to advance rates. Testimony offered tends to show that the rates now in effect do not provide sufficient revenue to cover operating expenses, provide adequate reserve against depreciation, and pay a reasonable return.

On August 1, 1918, the company was furnishing service to telephone stations classified and distributed as follows:

Individual line business stations.....	112
Two-party line business stations.....	8
Individual line residence stations.....	285
Two-party line residence stations.....	160
Extension telephones (less bell).....	30
Extension bells	5
Rural multi-party, metallic line residence stations.....	250
Rural multi-party, grounded line residence stations.....	13
Rural switching service stations.....	74

The plant is of the common battery type with magneto service to rural subscribers' stations.

The inventory submitted has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, using average prices for labor and material, based upon the five-year period, 1912 to 1916 inclusive, and including the present stock of materials and supplies, is \$75,293. The reproduction cost new, less depreciation, and including the present stock of materials and supplies, is \$60,028.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its several component parts. These show that the value of the normal depreciation occurring in the entire physical portion of the plant is approximately \$4,605. The average operating expense for the years 1917 and 1918, including an average annual allowance of \$4,383, made by petitioner to provide a reserve against depreciation, is \$14,415. The average annual operating revenue for the same period, including \$1,908, toll revenue, is \$16,165. Including an allowance adequate to provide a reserve for depreciation, as fixed by the Commission, the average operating result for the years 1917 and 1918 is a net income of \$1,528.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital and including present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Jerseyville and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, is at least \$70,000, as of August 1, 1918.

The Commission is also of the opinion, and finds after careful consideration, that an annual allowance of \$4,500 plus 6 per cent. of the cost of all additions made in the future, should be set aside annually to provide a reserve for depreciation.

C. L. 87]

Should the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rate schedule, the present annual operating revenue will be increased approximately \$2,814. An increase in the rate for individual line business stations, as proposed, from the present rate of \$24.00 per annum to the proposed rate of \$36.00 per annum, subject to a discount of 25 cents per month for prompt payment, is not justifiable in the view of the Commission and should not be allowed. Under a modification of the proposed schedule, in which the rate for individual line business stations is \$33.00 per annum, subject to a discount of 25 cents per month for prompt payment, and in which the present number of subscribers' stations, classified and distributed in accordance with the said modification of the proposed schedule, is maintained, will increase the present annual operating revenue approximately \$2,478.

Including a proper allowance to provide an adequate reserve for depreciation, as determined by the Commission, this will insure a return over all operating expenses of approximately \$4,006, which is 5.7 per cent. per annum on the value of the property fixed by the Commission as a basis for rate-making as of August 1, 1918.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the proposed rates for telephone service in Jerseyville, and vicinity, stated in Rate Schedule I. P. U. C. 1, of the Jerseyville Telephone Company be, and the same are, hereby permanently suspended.

Section 2. That the Jerseyville Telephone Company be, and the same is, hereby authorized to discontinue the schedule of rates now in effect in Jerseyville, and vicinity, and to substitute therefor the following modification of the proposed schedule:

	<i>Per Annum</i>
Individual line business stations.....	\$33 00
Two-party line business stations.....	30 00
Individual line residence stations.....	27 00
Two-party line residence stations.....	21 00
Extension telephones, business or residence.....	9 00
Extension bells, business or residence.....	6 00
Extra listing in directory, business or residence.....	12 00
Rural multi-party, metallic line residence stations.....	21 00
Rural multi-party, grounded line residence stations.....	13 00
Rural subscribers owning and maintaining their lines and tele- phones and connecting with the lines of the company at the exchange limits	4 00

All rates are subject to a discount of 25 cents per month if paid on or before the fifteenth of the month in which the service is rendered.

Section 3. That the Jerseyville Telephone Company set aside annually, as a reserve against depreciation, \$4,500 plus 6 per cent. of the cost of all annual additions made to the plant in the future.

Section 4. That the schedule of telephone rates authorized herein shall be filed, posted, and published by petitioner in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois; that it shall be designated as I. P. U. C. 2, and shall become effective January 15, 1919.

By order of the Commission at Springfield, Illinois, this twenty-second day of January, 1919.

* See Commission Leaflet No. 54, p. 21.

In re APPLICATION OF ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION *et al.*, FOR AUTHORITY TO INCREASE RATES.

Case No. 8694.

Decided January 22, 1919.

**Increase in Rates Authorized — Discount for Prompt Payment Equal to
Increase in Rates Authorized.**

OPINION AND ORDER.

A joint petition filed by the Illinois Independent Telephone Association and individual member companies joining therein, asks for the issuance of an order authorizing the placing in effect of a uniform increase by the designated telephone companies of 25 cents per month for each class of service furnished in each case, provided that a discount of 25 cents per month be made in every case when rentals are paid on or before the fifteenth day of the month in which the service is rendered.

The individual companies in whose behalf the Illinois Independent Telephone Association filed this petition are as follows:

Chesterfield Telephone and Telegraph Company.....	Chesterfield.
Colfax Telephone Company.....	Colfax.
Deer Creek Telephone Exchange.....	Deer Creek.
Eureka Telephone Company.....	Eureka.
Farmers Telephone Company.....	Carlock.
Greenup Telephone Company.....	Greenup.
Hoopeston Telephone Company.....	Hoopeston.
Menard Telephone Company.....	Greenvew.
Piatt County Telephone Company.....	Monticello.
Pitcher Telephone Company.....	Warren.
Rock River Telephone Company.....	Rochelle.
Schuyler Telephone Company.....	Rushville.
Sheldon Home Telephone Company.....	Sheldon.
Sullivan Home Telephone Company.....	Sullivan.

The matter came on for hearing before the Commission on December 3, 1918, the association and designated constituent companies being represented by *Hon. O. F. Berry*, no objectors appearing.

Evidence offered tends to show that the average expense of operation, due to present abnormal conditions, has been materially increased, and that such an increase in operating expense renders necessary the establishment of some method by means of which collections may be effected more promptly.

The evidence also tends to show that the effect of similar provisions placed in effect by telephone companies under authorization of the Commission's order 7337* has been to expedite the collection of telephone rentals, and that telephone subscribers, almost without exception, take advantage of the discount terms and make prompt payment. It is evident that when telephone subscribers do take advantage of such discount, that the net rates paid by such subscribers for service are not increased.

Testimony offered further tends to show that in cases where a discount arrangement is not in effect, collections are likely to be delayed, and that the expense of making delayed collections constitutes a substantial addition to the total expense of operating the property.

After a careful consideration of the record in the case, the Commission is of the opinion, and finds, that the proposed increase of 25 cents per month per station, in the case of the companies joining in the petition herein, is justified, provided that said increase of 25 cents per month per station is made contingent, in every case, upon an allowance of 25 cents per month per station, when rentals are paid on or before the fifteenth day of the month in which the service is rendered.

The Commission further finds that the rate schedule of the Hoopeston Telephone Company, a petitioner herein, now on file, provides for a discount of 25 cents per station per month on all rates when payment is made on or before a designated time, that such discount feature of the rate schedule is now in effect, and that the prayer of the Hoopes-ton Telephone Company, one of the petitioners herein, should, for that reason, be denied.

* See Commission Leaflet No. 77, p. 944.

It is, therefore, ordered, That the following member companies of the Illinois Independent Telephone Association:

Chesterfield Telephone and Telegraph Company.....	Chesterfield.
Colfax Telephone Company.....	Colfax.
Deer Creek Telephone Exchange.....	Deer Creek.
Eureka Telephone Company.....	Eureka.
Farmers Telephone Company.....	Carlock.
Greenup Telephone Company.....	Greenup.
Menard Telephone Company.....	Greenview.
Piatt County Telephone Company.....	Monticello.
Pitcher Telephone Company.....	Warren.
Pittsfield Telephone Exchange.....	Pittsfield.
Rock River Telephone Company.....	Rochelle.
Schuyler Telephone Company.....	Rushville.
Sheldon Home Telephone Company.....	Sheldon.
Sullivan Home Telephone Company.....	Sullivan.

be, and the same are, hereby authorized to place in effect an increase of 25 cents per month per telephone station, in each and every telephone rate now established, in the several exchanges operated, upon the following conditions, and not otherwise, to-wit:

The increase in telephone rates authorized herein shall be made subject to the establishment of a discount of 25 cents per station per month, provided that the service is billed in advance and the monthly rental is paid on or before the fifteenth day of the month in which it is rendered.

It is further ordered, That the petition of the Hoopeston Telephone Company herein, be, and the same is, hereby dismissed.

It is further ordered, That the telephone companies, herein authorized to place in effect an increase of 25 cents per station per month, with like discount allowance for prompt payment, under the conditions herein stated, shall file, post and publish, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission

* See Commission Leaflet No. 54, p. 21.

of Illinois, a schedule of the rates herein authorized for telephone service, and that such increased rates shall become effective upon the filing of the revised schedule with the Commission, but in no event prior to February 1, 1919.

By order of the Commission, at Springfield, Illinois, this twenty-second day of January, 1919.

In re APPLICATION OF FLAG CENTER TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Case No. 8306.

Decided January 23, 1919.

**Increase in Party Line Rates Authorized — Allowance of \$1,000 Plus
6 Per Cent. of all Future Annual Additions, for Reserve for
Depreciation, Ordered Set Aside.**

Applicant sought authority to increase its party line rates from \$12.00 to \$15.00 per year.

The Commission found that the fair value of the property for rate-making purposes was \$11,750, that the annual physical depreciation of the plant was \$1,161; that the average operating expenses for the years 1916 and 1917 were \$2,008, while the average operating revenue for the same period was \$2,697; that should the present number of subscribers be maintained the proposed rates would increase annual revenues approximately \$645.

Held: That applicant should be authorized to put into effect the proposed rates as the earnings therefrom after providing for reserve for depreciation would yield about 2.8 per cent. for return on investment;

That applicant should set aside annually to provide a reserve against depreciation not less than \$1,000, plus 6 per cent. of the cost of all future additions to the plant.

OPINION AND ORDER.

The application filed herein sets forth that petitioner is a public utility, engaged in the operation of a telephone system in Flag Center, county of Ogle, and vicinity, and that as such public utility it is subject to the provisions of an Act to Provide for the Regulation of Public Utilities. Authority is asked to discontinue the present schedule of

C. L. 87]

rates and substitute another therefor. The present and proposed schedules of rates are as follows:

	<i>Annual Rates</i>	
	<i>Present</i>	<i>Proposed</i>
Party line telephones.....	\$12 00	\$15 00

Rentals payable monthly in advance for month in which service is rendered.

The matter came on for hearing before the Commission on September 10, 1918. The Flag Center Telephone Company was represented by *J. C. Babcock*, president, and *George W. King*, no objectors appearing. Petitioner submitted proof of publication of notice of intention to apply for authority to increase rates, and stipulated that the annual reports now on file with the Commission be made part of the record.

The service furnished is exclusively party line and there are 214 subscribers.

The plant is of the magneto type, all lines being metallic circuits except four.

An inventory and appraisal of the plant involved was made by the Commission's engineers. The reproduction cost new, using average prices for labor and material, for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$16,740, and the reproduction cost new, less depreciation, is \$9,562.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital, and including the present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property, used and useful, in furnishing telephone service in Flag Center and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes as of November 1, 1918, is at least \$11,750.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its

several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$1,161.

The average annual operating expense, exclusive of depreciation, taken from annual reports on file with the Commission for the years 1916 and 1917, is approximately \$2,008. The average annual operating revenue, for the same period, is approximately \$2,697. Should the present number of subscribers be maintained, with the proposed rates, the increase in annual revenue will be approximately \$645. After careful consideration, the Commission is of the opinion, and finds, that an annual allowance of \$1,000, plus 6 per cent. of the cost of all future annual additions to the plant, will provide an adequate reserve for depreciation. The average net income for 1916 and 1917, after making annual allowance of \$1,000, to provide a reserve for depreciation and including the probable increase due to the proposed rates, is \$173.* This is a return of 2.8 per cent. per annum on the fair value of the property for rate-making purposes as of November 1, 1918, as determined by the Commission.

In view of all the facts, the Commission is therefore of the opinion, and finds, that the proposed schedule of increased rates is justified.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Flag Center Telephone Company be, and the same hereby is, authorized to discontinue the rate now in effect in Flag Center and vicinity, and to substitute therefor the following:

	<i>Annual Rates</i>
Party line telephones, per station.....	\$15 00

Rentals payable monthly in advance for month in which service is rendered.

Section 2. That the Flag Center Telephone Company set aside annually, to provide a reserve against depreciation,

*An error is apparent.

C. L. 87]

not less than \$1,000, plus 6 per cent. of the cost of all future annual additions to the plant.

Section 3. That the schedule of rates authorized herein shall be filed, posted, and published by the Flag Center Telephone Company in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois, and that it shall be known as I. P. U. C. 1, and shall become effective as of February 1, 1919.

By order of the Commission, at Springfield, Illinois, this twenty-third day of January, 1919.

In re PROPOSED INCREASE IN RATES OF RECEIVERS, CENTRAL
UNION TELEPHONE COMPANY.

Case No. 8482.

Decided January 23, 1919.

**Increase in Rates Authorized.— Allowance for Reserve for Depreciation
Ordered Made.**

Receivers, Central Union Telephone Company filed a revised schedule of rates for telephone service in Vandalia and vicinity. This schedule of rates had been suspended until January 28, 1919, pending a hearing on the matter before the Commission.

The Commission's engineers found that the reproduction cost new based upon average prices for the five-year period, 1912 to 1916, was \$43,261, and that the reproduction cost new less depreciation, including the present stock of materials and supplies, was \$38,532. In this valuation the Commission's engineers excluded all toll plant and all items, the principal use of which was devoted to toll service.

Held: That after considering carefully the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital and including present stock of materials and supplies, the fair value of the property used and useful in furnishing telephone service in Vandalia and

* See Commission Leaflet No. 54, p. 21.

vicinity and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, was at least \$44,950 as of June 1, 1918;

That after considering carefully the matter and giving due weight to every factor affecting the probable increase in revenue, provided the proposed rates were placed in effect, and making due allowance for a reasonable reduction in the number of subscribers' stations, the proposed rates would produce a net increase of about \$2,434;

That including in operating expenses an allowance of \$2,872 for reserve for depreciation, the net increase would assure a net return over all operating expenses of approximately \$976, which would be approximately 2.1 per cent. on the fair value of the property as found by the Commission;

That applicant should be authorized to put the proposed rates into effect;

That applicant should set aside annually as a reserve for depreciation, a sum sufficient to cover the actual depreciation accruing in the property.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Vandalia, Fayette County, and vicinity, having been filed by David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, and a hearing before the Commission on the matter being necessary, an order was entered suspending the placing in effect of the proposed rates until January 28, 1919. The present rates in Vandalia and vicinity are as follows:

	<i>Annual Rates</i>
Individual business stations.....	\$30 00
Individual residence stations.....	18 00
Two-party business stations	24 00
Two-party residence stations	15 00
Rural, twenty-party business stations.....	18 00
Rural, twenty-party residence stations.....	12 00
Extension telephones, business	12 00
Extension telephones, residence	6 00
Extension bell, business	3 00
Extension bell, residence	3 00
Extension 6-inch gong, business	6 00
Extension 6-inch gong, residence.....	6 00

C. L. 87]

	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Private Branch Exchange—No. 1:		
Switchboard with operator's set for each position	\$12 00	\$12 00
Generator circuit where total annual rental is less than \$150	20 00	18 00
Trunk, two-way (minimum installation 1 trunk)	30 00	18 00
Station (within same premises, minimum installation 5 stations).....	12 00	12 00
Private Branch Exchange—No. 2:		
Trunk, two-way	30 00	18 00
Station (within same premises, minimum 5, maximum 10 stations).....	12 00	12 00
Private Branch Exchange—Hotel:		
Switchboard with operator's set for each position	5 00	.....
Generator circuit where total annual revenue is less than \$130.....	30 00	.....
Trunk, two-way	30 00	.....
Trunk, two-way, measured service.....	No charge.	.....
Minimum installation, two trunks. Additional measured trunks furnished in accordance with requirements of the service as determined by studies made by this company. Measured service messages at 5 cents each.		
Station (within same premises, minimum installation 20 stations).....	5 00	.....
Private Branch Exchange—Hospitals and Dormitories, such as Y. M. C. A., Y. W. C. A., and School Dormitories:		
Switchboard with operator's set for each position	5 00	.....
Battery circuit where total annual revenue is less than \$150	24 00	.....
Generator circuit where total annual revenue is less than \$150.....	24 00	.....
Trunks, two-way	24 00	.....
Station (within same premises, minimum installation 20 stations and two trunks).....	5 00	.....

Note: An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard. By premises is meant under the same roof or on the same lot, provided no pole or underground conduit has to be used to connect the stations.

*Annual Rates
Business or
Residence*

Extra mileage — Line Extending beyond the Established Exchange Area, the Boundaries of Which are the City Limits:

Individual line, per quarter mile or fraction thereof, per station	\$6 00
Two-party line, per quarter mile or fraction thereof, per station	3 75
Four-party line, per quarter mile or fraction thereof, per station	2 25

Two-party service beyond the established exchange area will be furnished only when two parties outside said area, but within one-quarter mile of each other, are actually connected at the two-party rate.

Four-party service beyond the established exchange area will be furnished only when at least three parties outside said area, who are within a radius of one-quarter mile of each other, are actually connected at the four-party rate.

Public Telephones:

Local calls 5 cents each for a five-minute period, or fraction thereof, and 5 cents for each additional five minutes, or fraction thereof.

Switching service, lines only owned by rural subscribers, per station	3 00
---	------

Churches, Hospitals and Other Charitable Institutions not Supported by Public Taxation:

Individual line stations.....	18 00
Two-party line stations.....	12 00
Extension telephones within same premises.....	6 00

Trunk Connecting two Private Branch Exchange Switchboards:

First mile, or fraction thereof, by route of wire.....	40 00
For each additional quarter mile, or fraction thereof....	10 00

Private Line (Including Terminal Instruments):

First mile, or fraction thereof, by route of wire.....	40 00
For each additional quarter mile, or fraction thereof....	10 00
For each additional instrument.....	5 00

Extra receiver	1 00
Extra operator's head set with breast-plate transmitter....	3 50
Extra listing in directory.....	6 00

C. L. 87]

The schedule filed proposes to discontinue the rates now in effect and to establish, in lieu thereof, the following:

	<i>Annual Rates</i>
Individual business stations	\$36 00
Individual residence stations.....	21 00
Two-party business stations.....	30 00
Two-party residence stations.....	18 00
Rural, ten-party business stations.....	24 00
Rural, ten-party residence stations.....	18 00
Extension telephones, business	12 00
Extension telephones, residence	6 00
Extension bell, business	3 00
Extension bell, residence	3 00
Extension 6-inch gong, business.....	6 00
Extension 6-inch gong, residence.....	6 00

	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Private Branch Exchange, Unlimited:		
Cordless board, 1 operator's station, 1 trunk and 2 stations (maximum 3 trunks and 7 stations)	\$96 00	\$81 00
Each additional station.....	12 00	12 00
Cord board (not exceeding 30 jacks), operator's set, 2 trunks and 2 stations.....	144 00	114 00
Each additional station.....	12 00	12 00
Private Branch Exchange, Unlimited, for Hotels, Hospitals, and Dormitories, such as Y. M. C. A., Y. W. C. A., and School Dormitories:		
Switchboard (not exceeding 30 jacks), operator's set, 2 trunks, 20 stations.....	220 00	.....
Each additional station.....	5 00	.....

Private Branch Exchange No 2, Unlimited:

One trunk and 5 stations (maximum 10 stations)	132 00	117 00
Each additional station.....	18 00	18 00

Note: An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard. By premises is meant under the same roof or on the same lot, provided no pole or underground conduit has to be used to connect the stations.

	<i>Business</i>	<i>Residence</i>
Private Branch Exchange, Additional Equipment:		
Each additional strip of 10 jacks.....	\$6 00	\$6 00
Each additional trunk	42 00	27 00
Battery circuit or generator circuit where total annual exchange revenue is less than \$150..	26 00	21 00
Extra Mileage, Line Extending beyond the Established Exchange Area, the Boundaries of Which are the City Limits:		
Individual line, per quarter mile, or fraction thereof, per station.....	6 00	.....
Two-party line, per quarter mile, or fraction thereof, per station.....	3 75	.....
Two-party service beyond the established exchange area will be furnished only when two parties outside said area, but within one-quarter mile of each other, are actually connected at the two-party rate.		
Public Telephones:		
Local calls 5 cents each for a five-minute period, or fraction thereof, and 5 cents for each additional five minutes, or fraction thereof.		
Switching service, lines only owned by rural subscribers, per station.....	6 00	.....
Churches, Hospitals, and Other Charitable Institutions, not Supported by Public Taxation:		
Individual line stations.....	21 00	.....
Two-party line stations.....	18 00	.....
Extension telephones within same premises...	6 00	.....
Trunk Connecting Two Private Branch Exchange Switchboards:		
First mile, or fraction thereof, by route of wire.	40 00	.....
For each additional quarter mile, or fraction thereof	10 00	.....
Private Line, (Including Terminal Instruments):		
First mile, or fraction thereof, by route of wire.	40 00	.....
For each additional quarter mile, or fraction thereof	10 00	.....
For each additional instrument.....	5 00	.....
Extra receiver	1 00	.....
Extra operator's head set with breast-plate transmitter	3 50	.....
Extra listing in directory.....	6 00	.....

C. L. 87]

The matter came on for hearing before the Commission on September 18, 1918. The Receivers, Central Union Telephone Company were represented by *O. E. Burgess*, commercial engineer; the city of Vandalia, objector, was represented by *J. M. Albert*. The petitioner introduced, as exhibits, an inventory and appraisal of plant, annual revenue and expense statements for the three years ending December 31, 1915, 1916 and 1917, respectively; a statement of revenue for the year ending June 30, 1918, and proof of publication of a notice of intention to apply for an advance in rates. Testimony offered tends to show that the rates now in effect do not provide sufficient revenue to cover operating expenses, provide adequate reserve against depreciation, and pay a reasonable return.

On June 30, 1918, the company was furnishing service to telephone stations classified and distributed as follows:

TABLE I.
TELEPHONE STATIONS.

		<i>Rate</i>
<i>Business:</i>	<i>Stations</i>	<i>Per Annum</i>
Individual line	23	\$30 00
Two-party line	92	24 00
Extension sets	13	12 00
Rural	1	18 00
<i>Residence:</i>		
Individual line	10	18 00
Two-party line	231	15 00
Extension sets	20	6 00
Rural line	164	12 00
Pay stations	5	.....
Service stations	36	3 00

The plant is of the magneto type, with metallic circuits to all subscribers, and switching service is furnished to several metallic rural circuits.

The inventory submitted has been carefully checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new, exclusive of all toll plant, using average prices for labor and material, based upon the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$43,261.

The reproduction cost new, less depreciation, exclusive of all toll plant, and including the present stock of materials and supplies, is \$38,532.

The reproduction cost new, as shown by the inventory filed by petitioner, is \$60,702.80, and the reproduction cost new, less depreciation, is \$51,954.67. A portion of the difference between these and the corresponding valuations made by the Commission's engineers is due to the elimination, from the inventory of the local plant, of all items the principal use of which is devoted to toll, together with a reduction in the valuation placed upon the items of plant known as overhead.

In connection with the inventory of the physical portion of the plant, the Commission assigned normal lives to its several component parts. From these normal lives the value of the annual depreciation now occurring in the entire physical portion of the plant was found to be \$2,872. The average annual operating expenses for the years 1915, 1916 and 1917, including the average annual allowance of \$4,950 made by petitioner to provide a reserve against depreciation, is \$13,426. The average annual total gross operating revenue for the same period, including the local exchange apportionment of toll income, is \$10,120, while the average annual deduction from gross revenue for uncollectible accounts, taxes, rents and amortizations of landed capital is \$230. The average net revenue, therefore, applicable to operating expense and return is \$9,890. Should the allowance to provide an adequate reserve for depreciation, as fixed by the Commission, be substituted, the average operating result, therefore, for the years 1915, 1916 and 1917, inclusive, is a deficit of \$1,458.

It is obvious that the sum allowed by petitioner to cover the necessary charge to provide a reserve against depreciation is computed upon a basis which the Commission does not deem justifiable. Based upon a careful inspection of the plant and average life tables, as determined by experience, for the several component items of the plant, the annual depreciation occurring in the entire physical portion of the plant, figured on a straight line basis, is \$2,872.

C. L. 87]

This is approximately 6.6 per cent. of the cost to reproduce the plant new as fixed by the Commission. Should the depreciation allowance be computed on the so-called basis of equal annual payment, or on a sinking fund basis for the average composite life of the entire plant, it would be still further reduced.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital, and including present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Vandalia and vicinity, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, is at least \$44,950 as of June 1, 1918.

Assuming that the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rate schedule, the total annual operating revenue will be increased approximately \$2,899. Testimony tends to show, however, that should the proposed rates be placed in effect, a reduction in the number of subscribers' stations may reasonably be expected.

After carefully considering the matter and giving due weight to every factor affecting the probable increase in revenue provided the proposed rates are placed in effect, and making due allowance for a reasonable reduction in the number of subscribers' stations, the Commission is of the opinion, and finds, that the proposed rates will produce at least a probable net increase of \$2,434. Including in operating expense an allowance to provide a reserve against depreciation, as fixed by the Commission, this net increase will assure a net return, over all reasonable operating expenses, of approximately \$976, which is 2.1 per cent. on the fair property value as a basis for rate-making.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That a suspension order, affecting Schedule I. P. U. C. 1 of David R. Forgan, Edgar S. Bloom and

Frank F. Fowle, Receivers, Central Union Telephone Company, dated September 4, 1918, be, and the same is, hereby vacated as of January 1, 1919.

Section 2. That David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company be, and the same hereby are, authorized to discontinue the schedule of rates now in effect in Vandalia and vicinity, and to substitute therefor the following:

	<i>Annual Rates</i>
Individual business stations	\$36 00
Individual residence stations.....	21 00
Two-party business stations.....	30 00
Two-party residence stations.....	18 00
Rural, ten-party business stations.....	24 00
Rural, ten-party residence stations.....	18 00
Extension telephones, business	12 00
Extension telephones, residence	6 00
Extension bell, business	3 00
Extension bell, residence	3 00
Extension 6-inch gong, business.....	6 00
Extension 6-inch gong, residence.....	6 00

	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Private Branch Exchange, Unlimited:		
Cordless board, 1 operator's station, 1 trunk and 2 stations (maximum 3 trunks and 7 stations)	\$96 00	\$81 00
Each additional station.....	12 00	12 00
Cord board (not exceeding 30 jacks), operator's set, 2 trunks and 2 stations.....	144 00	114 00
Each additional station.....	12 00	12 00
Private Branch Exchange, Unlimited, for Hotels, Hospitals and Dormitories, such as Y. M. C. A., Y. W. C. A., and School Dormitories:		
Switchboard (not exceeding 30 jacks) operator's set, 2 trunks and 20 stations.....	220 00	.....
Each additional station	5 00	.....
Private Branch Exchange, No. 2, Unlimited:		
One trunk and 5 stations (maximum 10 stations)	132 00	117 00
Each additional station.....	18 00	18 00

C. L. 87]

Note: An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard. By premises is meant under the same roof or on the same lot, provided no pole or underground conduit has to be used to connect the stations.

Private Branch Exchange, Additional Equipment:

Each additional strip of 10 jacks.....	\$6 00	\$6 00
Each additional trunk	42 00	27 00
Battery circuit or generator circuit where total annual exchange revenue is less than \$150.	36 00	21 00

*Annual Rates
Business or
Residence*

Extra Mileage, Line Extending beyond the Established Exchange Area, the Boundaries of Which are the City Limits:

Individual line, per quarter mile, or fraction thereof, per station	\$6 00
Two-party line, per quarter mile, or fraction thereof, per station	3 75
Two-party service beyond the established exchange area will be furnished only when two parties outside said area, but within one-quarter mile of each other, are actually connected at the two-party rate.	

Public Telephones:

Local calls 5 cents each for a five-minute period, or fraction thereof, and 5 cents for each additional five minutes, or fraction thereof.

Switching service, lines only owned by rural subscribers, per station 6 00

Churches, Hospitals, and other Charitable Institutions not Supported by Public Taxation:

Individual line stations.....	21 00
Two-party line stations.....	18 00
Extension telephones within same premises.....	6 00

Trunk Connecting Two Private Branch Exchange Switchboards:

First mile, or fraction thereof, by route of wire.....	40 00
For each additional quarter mile, or fraction thereof....	10 00

Private Line (Including Terminal Instruments):

First mile, or fraction thereof, by route of wire.....	40 00
For each additional quarter mile, or fraction thereof....	10 00
For each additional instrument.....	5 00

Extra receiver 1 00

Extra operator's head set with breast-plate transmitter..... 5 50

Extra listing in directory..... 6 00

Section 3. That David R. Forgan, Edgar S. Bloom, and Frank F. Fowle, Receivers, Central Union Telephone Company, set aside annually, as a reserve against depreciation, a sum sufficient to cover, as an item of operating expense, the actual depreciation accruing annually in the property.

Section 4. That the schedule of telephone rates authorized herein shall be filed, posted and published by David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28 (Conference Ruling No. 23)* of the Public Utilities Commission of Illinois, that it shall be designated as I. P. U. C. 1, and shall become effective January 1, 1919.

By order of the Commission at Springfield, Illinois, this twenty-third day of January, 1919.†

In re APPLICATION OF RECEIVERS, CENTRAL UNION TELEPHONE COMPANY, FOR AUTHORITY TO PUT IN EFFECT INCREASED TOLL AND LONG DISTANCE RATES.

Case No. 8864.

Decided January 23, 1919.

Schedule of Toll Rates and Tabulated Method of Computing Same, Suspended.

SUSPENSION ORDER.

On January 20, 1919, the Receivers, Central Union Telephone Company, filed with the Commission purported schedule of rates, and certain tabulated methods for computing toll and long distance telephone rates between points

* See Commission Leaflet No. 54, p. 21.

† By similar orders, on February 4, the Receivers, Central Union Telephone Company were authorized to increase their rates at the following places:

Herscher	No. 8478
Oquawka	No. 8480
Harristown	No. 8481
Seneca	No. 8483
Gilman	No. 8487
Onarga	No. 8488
Momence	No. 8491

C. L. 87]

to which the said Receivers, Central Union Telephone Company, are prepared to furnish toll and long distance service in the State of Illinois, in which it is further proposed that such rates, computed in accordance with the methods filed, become effective on January 21, 1919.

It appears from an examination of said purported schedules, and the methods of computing proposed toll and long distance telephone rates, that such proposed rates, applying to messages between any two given points, in the State of Illinois, are difficult if not impossible of exact determination; that the forms in which such rates covered by the application are indicated, do not conform with the statute of the State of Illinois in such case made and provided, nor do they comply with the rules and regulations and the practice provided by this Commission. It further appears, from an examination of such alleged schedules, that they contemplate a very substantial increase in toll and long distance rates within the said State of Illinois, and in other material measures they are at variance with its present schedule of rates on file with this Commission, and that the Commission should enter upon a hearing concerning the propriety of placing in effect such rates as may be computed under the proposed method, and that pending the hearing thereon the said purported schedule of rates and the proposed tabulated methods of computing toll and long distance telephone rates, and such rates as may be based thereon, should not go into effect.

It is, therefore, ordered, That the said proposed schedules, and the proposed tabulated methods of computing toll and long distance telephone rates within the State of Illinois, and such rates as may be based thereon, be, and the same are, hereby suspended until June 20, 1919.

By order of the Commission, at Springfield, Illinois, this twenty-third day of January, 1919.*

* Similar orders were issued in cases affecting the following companies:
Central Illinois Telephone and Telegraph Co. No. 8856, January 22, 1919
New Holland Telephone Co. No. 8857, January 22, 1919
Southwestern Bell Telephone Co. No. 8858, January 22, 1919
Vermilion County Telephone Co. No. 8659, January 22, 1919
Streator Telephone Co. No. 8863, January 23, 1919
Canton Home Telephone Co. No. 8872, January 23, 1919

INDIANA.

Public Service Commission.

In re APPLICATION OF CROWN POINT TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

No. 4180.

Decided December 28, 1918.

**Increase in Rates Denied—Allowance of 2 Per Cent. of Present Value
Made for Maintenance—Allowance of 5 Per Cent. of Present Value
Made for Reserve for Depreciation—Rate of Plant Depreciation
Considered—Allowance of 6.07 Per Cent. as Rate of Return Con-
sidered Sufficient—Allowance for Intangible Value and
Working Capital not Made—Allowance for Transmission
Power Reduced—Allowance for Operators' Wages
Approved—Allowance for Collection Expense Re-
duced, and Prompt Payment Discount Author-
ized—Discontinuance of Service for Fail-
ure to Pay Bills Promptly, Disapproved
—Method of Handling Reserve
for Depreciation, Prescribed.**

Applicant sought authority to increase its rates. The plant was purchased in 1912 for \$35,600, the present book value was \$54,336.70, and applicant's engineers reported the reproduction new value at \$82,529, and the present value at \$66,964. The Commission's engineers reported such values at \$75,388 and \$60,310, respectively. Applicant's net income in 1918, as disclosed by the books, allowing \$6,134.29 for maintenance and depreciation, was \$174.48. The Commission, after reducing certain items of expense and the allowance for maintenance and reserve for depreciation, estimated that the company would have a net income of \$4,047.38, or 6.07 per cent. from the present rates.

Held: That in normal times, and under normal operating conditions, the Commission would determine the amount to be added to present values for intangible values and working capital, but under present abnormal conditions, and the petition being filed under the emergency section of the Utilities Commission Act, a value approximating the fair value was sufficient to determine whether the business or interests of petitioner were in danger of being injured;

That the allowance for maintenance and reserve for depreciation was approximately 37 per cent. of revenues received, or 11 per cent. of the plant value, and was not reasonable;

C. L. 87]

That petitioner, since January, 1913, had set up as reserve for depreciation \$10,936.10 more than was reasonably necessary or actually expended to maintain the property in its present state of efficiency;

That telephone plants seldom depreciated to a 60 per cent. condition, in but few instances reached a point as low as 70 per cent. condition, and as applicant's plant had depreciated approximately 20 per cent. in 22 years, it followed that the large amounts heretofore expended in maintenance had been sufficient to keep the property in its 80 per cent. condition, and that on account of the large expenditures made for maintenance the property had depreciated less than 1 per cent. per year;

That if 2 per cent. of the physical value, as found by the Commission's staff, were allowed for maintenance, and 5 per cent. for reserve for depreciation, the allowances should be reasonable and sufficient;

That as the expenditure of \$1,130.44 for transmission power was approximately \$1.54 per year, per station, in comparison with \$.5884 for eight other like size companies' average expenditures, the amount estimated by the company was not a reasonable expenditure for such purposes;

That although the item of \$4,958.86 for operators' wages was high, it should not be disturbed, as the exchange was in the Chicago telephone district where wages were unusually high and much in excess of wages for like services elsewhere in the State;

That the item of \$1,084.07 for collection expenses, being 6.05 per cent. of total revenues, was unreasonable, and the company should be authorized to increase rates 15 cents per month, subject to a prompt payment discount in the same amount;

That petitioner's present rates, tolls and charges were sufficient to prevent injury to its business or interests, no emergency existed for an increase in rates, and the same should be denied;

That petitioner's rule providing that bills should be paid in advance, and that if not paid by the fifteenth of the following month notice would be served and service discontinued after ten days, was unreasonable and should be discontinued.

OPINION AND ORDER.

On the twenty-eighth day of September, 1918, the Crown Point Telephone Company of Crown Point, Lake County, Indiana, filed a petition with the Public Service Commission of Indiana averring that it is an Indiana corporation, organized for the purpose of and doing a telephone business in Lake County, Indiana, and having its principal office and place of business in the city of Crown Point; that on the first day of January, 1913, and continuously thereafter, it had in effect the following schedule of rates, tolls and charges:

<i>Class of Service</i>	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Individual line, unlimited	\$24 00	\$18 00
Farmer line, unlimited, eight-party line. Maximum 8 stations.....	24 00	18 00
Extensions, (within building) unlimited.....	9 00	6 00
Extension bells	3 00	3 00
Moving charges, cost plus 15 per cent.		
Extra mileage:		
Individual, flat rate service per quarter mile or fraction thereof	6 00	
Private line:		
One mile or less with two instruments.....	40 00	
For each additional one-quarter mile.....	10 00	
A switching charge of \$12.00 per annum is made where party owns and maintains line to city limits.		
Private branch exchange:		
Switchboard		\$36 00
Trunk lines		24 00
Terminals		9 00

REGULATIONS.

The following regulations are a part of the contract for service under the rates quoted in this schedule:

1. In order to establish credit an applicant that is unknown to the company is required to make an advance payment for three months' service. A deposit may be required by the company to cover installation and moving charges, which are payable immediately upon the completion of the work.

2. Following the acceptance by the company of an application for service the company assigns a telephone number, but this number is not a part of the contract and may be changed at any time at the discretion of the company.

3. In the ordinary course of business it requires ten days to install or change a telephone, but unusual conditions, such as storms, a large amount of moving (usually in May and October), etc., may necessitate additional time.

4. To guard against interfering with the service, unauthorized attachments to telephone line or instruments are prohibited.

Bills are payable in advance at the office of the company. If not paid by the fifteenth day of the following month, notice is served and after ten days service is discontinued. When bill is paid, service is restored.

C. L. 87]

That an emergency exists in that its revenues at the existing rates for telephone service are insufficient to meet its expenses for labor and materials, provide for reasonable depreciation and to pay a reasonable return upon the fair value of its property; that the existing rates were put into effect in 1896 when the cost of doing business was a great deal less than it is now, and that the present situation bids fair to increase in seriousness on account of present war conditions.

That application is, therefore, made for authority to immediately put into effect the following schedule of rates, tolls and charges, rules and regulations:

<i>Class of Service</i>	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Individual line, unlimited	\$36 00	\$24 00
Two-party line, unlimited	30 00	21 00
Four-party line, unlimited	24 00	18 00
Farmer line, unlimited, eight-party line, maximum 8 stations	24 00	18 00
Extensions, (within building), unlimited.....	9 00	6 00
Bells	3 00	3 00
Moving charges, cost plus 15 per cent.		
Extra mileage:		
Individual, flat rate service per quarter mile or fraction thereof	6 00	6 00
Two or four-party, flat rate service per quarter mile or fraction thereof for each subscriber.	3 00	3 00
Private line:		
One mile or less with two instruments.....	40 00	
For each additional one-quarter mile.....	10 00	
A switching charge of \$12.00 per annum is made where party owns and maintains line to city limits.		
Private branch exchange:		
Switchboard		\$36 00
Trunk lines		36 00
Terminals		9 00

REGULATIONS.

The following regulations are a part of the contract for service under the rates quoted in this schedule:

1. In order to establish credit an applicant that is unknown to the company is required to make an advance payment for three months'

service. A deposit may be required by the company to cover installation and moving charges, which are payable immediately upon the completion of the work.

2. Following the acceptance by the company of an application for service the company assigns a telephone number, but this number is not a part of the contract and may be changed at any time at the discretion of the company.

3. In the ordinary course of business, it requires ten days to install or change a telephone, but unusual conditions, such as storms, a large amount of moving (usually in May and October), etc., may necessitate additional time.

4. To guard against interfering with the service, unauthorized attachments to telephone line or instruments are prohibited.

Bills are payable in advance at the office of the company. If not paid by the fifteenth day of the following month, notice is served and after ten days service is discontinued. When bill is paid, service is restored.

Note: During the period of control of this company by the Government, and until otherwise provided by order of the Postmaster General, readiness to serve or installation charges shall be made, in accordance with his order (No. 1931) as per copy herewith, for all new installations, and the provision herein as to moving charges is modified to accord with said order.

Wherefore, petitioner prays that the Public Service Commission of Indiana will recognize the necessity for immediate action and that it issue an order permitting the Crown Point Telephone Company to put into effect at once the aforesaid rates, tolls and charges, rules and regulations.

Copies of the petition, with due and timely notices, were issued and served upon the proper city officials of the city of Crown Point, its Chamber of Commerce and newspapers, and the utility, that the matters contained in the petition would be heard at the court house in the city of Crown Point, Indiana, at 10 o'clock A. M., Thursday, November 14, 1918.

Appearances: *L. L. Bomberger* for petitioner; *Martin J. Smith* for city of Crown Point; *A. L. Cartright* for Chamber of Commerce.

It appears that the Crown Point Telephone Company was duly organized and incorporated under the laws of the State of Indiana, on the third day of April, 1896, with an authorized common capital stock of \$10,000, divided into 200 shares

C. L. 87]

of the par value of \$50.00 per share, all of which was issued and sold at par. On the sixteenth day of April, 1910, new stock was authorized to replace the former issue, which had been destroyed by fire.

The Crown Point telephone exchange plant and system was operated by local people until along about 1912, when it was purchased by its present owners at a price of \$35,600.

Petitioner employed the firm of Hagenah and Erickson, engineers, Chicago, Illinois, to evaluate its property. Said evaluation so made was filed of record as an exhibit in the cause. The Commission directed its engineering staff to make an estimated tentative appraisal of said property, which was done and later filed in the record in this case. The aforesaid evaluations are as follows:

	<i>Hagenah and Erickson</i>	<i>Commission's Staff</i>
Reproduction new	\$82,529 00	\$75,388 00
Present value	66,964 00	60,310 00

The Commission directed its auditing department to make an audit of the books and records of petitioner, which was done and later filed as a part of the record in the case. The audit discloses the book value of petitioner's property to be \$54,336.70. The Commission now has the reproduction cost new and the present value of the different engineers, and the value as disclosed by petitioner's books, with which to determine the fair value of petitioner's property devoted to public use.

If this petition had been filed in normal times, and under normal operating conditions, the Commission would ascertain and determine what amount, if any, should be added to the aforesaid present value for intangible values and working capital. However, under the abnormal conditions now existing, and the petition having been filed under Section 122 of the Shively-Spencer Utility Commission Act, which is generally known as the emergency section, the Commission is of the opinion that a value approximating the fair value is sufficient to determine whether the business or interests of petitioner is in danger of being injured.

The audit made by the Commission's staff of the books and records of petitioner discloses that its operating and non-operating revenues, its operating and maintenance expenses, including taxes and depreciation, for the calendar years 1916 and 1917, and for the year 1918, based on ten months' actual operation were as follows:

	1916	1917	1918
Operating and non-operating revenue	\$16,078 00	\$16,258 09	\$16,601 01
Operating expense, current maintenance	\$2,597 69	\$3,200 67	\$2,898 12
Depreciation	3,049 32	3,167 26	3,236 17
TOTAL MAINTENANCE AND DEPRECIATION	\$5,647 01	\$6,367 93	\$6,134 29
Traffic	4,988 59	5,350 25	6,371 89
Commercial	1,274 73	1,726 65	1,378 42
General	706 70	778 49	1,044 06
TOTAL ABOVE ITEMS	\$12,617 03	\$14,223 32	\$14,928 66
Taxes assessed to operation.....	1,080 00	897 92	768 00
TOTAL OPERATING EXPENSE.....	\$13,697 03	\$15,121 24	\$15,696 66
Net operation revenue and gross income	\$2,381 84	\$1,136 85	\$904 35
Deductions from gross income:			
Rent telephone plant and equipment	\$637 80	\$637 22	\$568 83
Rent telephone office.....	132 00	204 00	264 00
Other rent deductions:			
Interest deductions	281 57	245 00	246 00
TOTAL DEDUCTIONS	\$1,051 37	\$1,086 22	\$1,078 83
NET INCOME	\$1,330 47	\$50 63	* \$174 48

* Deficit.

A study of this table discloses the fact that petitioner's current maintenance and depreciation expenses for the calendar years 1916, 1917 and for 1918, based upon ten

C. L. 87]

months' actual operation, were \$5,647.01, \$6,367.93 and \$6,134.29, respectively.

The Commission can not agree that the reasonable expenditures for maintenance and depreciation of this property should be an amount equivalent to approximately 37 per cent. of all revenues received, or 11 per cent. of the value of the plant.

The audit discloses that practically since the first day of January, 1913, petitioner has set up out of its operating revenues, as a depreciation reserve, \$10,936.10 more than was reasonably necessary or actually expended, to maintain this property in its present state of efficiency.

Telephone plants, taken as a whole, seldom, if ever, depreciate to a 60 per cent. condition; in fact, there are but few instances where they reach as low a point as 70 per cent. condition. When telephone plants depreciate to 60 per cent. condition, their efficiency becomes impaired and they are unable to render a reasonably adequate service. To illustrate — petitioner's telephone plant was constructed about 1896, and has depreciated approximately 20 per cent. in the twenty-two years, as evidenced by the per cent. condition shown in the appraisal made by petitioner's engineers. Then, assuming that petitioner's engineers are approximately correct as to the per cent. condition of the property, does it not necessarily follow that the large amount heretofore expended in maintenance has been sufficient to keep the property in its 80 per cent. condition? In other words, on account of the large expenditures made for maintenance, the property has depreciated less than one per cent. per year.

In making these deductions, we are not unmindful of the fact that the first owners and operators of this property drew small salaries for the services performed, and in some instances none whatever. However, the \$10,000 which said owners and operators put into this property, and the labor they performed either gratuitously or at a small salary, grew until when sold, said property brought \$35,600. The Commission is of the opinion that if an amount equal to

2 and 5 per cent. of the physical value of the property, as found by the Commission's staff, is allowed, it will be found reasonable and sufficient to take care of reasonable maintenance and depreciation of said property.

The audit discloses that petitioner's estimated expenditures under the head of Traffic Expenses for the year 1918, based upon ten months' actual operation, will be \$6,371.89, which amount seems unusually high when compared with like expenditures by like telephone companies, operating in this State. Therefore, an analysis, at least, seems warranted. In this expenditure there is included the sum of \$1,130.44 for transmission power, or approximately \$1.54 per year, per station. In comparing this average expenditure per station with 8 other like size telephone companies' average expenditures, operating in the same and other parts of the State, of \$5884, the Commission cannot agree that the above amount is a reasonable expenditure for such purpose.

Under this same head, there is an item of \$4,958.86 covering operators' expense, which seems high. However, the evidence shows that the city of Crown Point is located in what is known as the Chicago telephone district, where the wages paid to telephone operators are unusually high, and much the same throughout the district, and far in excess of wages paid for like services elsewhere in the State. This item should not be disturbed.

Under the head of Commercial Expense, there is an item of \$1,084.07 for collection expense, which is equivalent to an expenditure of 6.05 per cent. of the total revenues received. The Commission cannot agree that this is a reasonable expenditure for such purpose. Therefore, the appended order will be so drawn that it will relieve the company of this expense and fasten same upon the negligent user of the service, provided such user continues such negligence, and where, it would seem, is its proper place.

The reasonable operating and maintenance expenses, including depreciation and taxes for petitioner, for the year 1919 would be as follows:

C. L. 87]

Traffic expense	\$5,741 45
Commercial expense	778 42
Miscellaneous expense	1,044 06
Depreciation expense	3,015 50
Maintenance expense	1,206 20
Taxes	768 00
	<hr/>
	\$12,553 63

The audit shows petitioner's estimated operating and non-operating revenues for the year 1918, based upon ten months' actual operation, to be \$16,601.01, and as practically each of the succeeding years has shown a steady growth, it would be fair to assume that the year 1919 will also show a like increase in the gross revenues. Taking, for the purposes of this case, petitioner's estimated gross revenue for 1918 of \$16,601.01, and deducting therefrom the reasonable operating and maintenance expenses, including the item of taxes and depreciation, as herein found, we would have a gross income of \$4,047.38, which would be sufficient to pay a return upon the physical value of petitioner's property as found by the Commission's staff of 6.07 per cent. However, should petitioner's revenues continue to increase as in the past, the per cent. of return upon the aforesaid value would be somewhat greater than herein shown.

The Public Service Commission of Indiana, having heard the evidence in the above-entitled cause, and being fully advised in the premises, finds that petitioner's present rates, tolls and charges are sufficient to prevent injury to its business or interests, that no emergency exists for an increase in rates, and that the prayer of the petition should be denied, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the petition of the Crown Point Telephone Company, seeking an increase in its rates, tolls and charges, should be, and is hereby, denied.

The Commission has hereinbefore stated that the appended order would be so drawn that it would relieve petitioner of the expense of a collector, or would place the

burden of such collection upon those requiring such an expenditure.

It is further ordered by said Commission, That the Crown Point Telephone Company shall, on or before the first day of January, 1919, effective as of said date, file a schedule of rates, tolls and charges, showing an advance of 15 cents per month, per telephone, except extension telephones, and which shall be due and payable at its office, in the city of Crown Point, Indiana, on or before the tenth day of the month in which the service is rendered, and to such subscribers so paying said Crown Point Telephone Company shall give a discount of 15 cents per telephone, excepting extension telephones, per month.

It is further ordered by said Commission, That the paragraph following Rule 4, in the application for increased rates, is unreasonable and is hereby denied, and in lieu thereof, the foregoing order shall apply.

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund should be invested, and if invested, such investment shall be made in government or other high grade listed securities, which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property — items properly chargeable to capital account — but, in such event, petitioner shall pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said account shall be double entry with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

December 28, 1918.

In re PETITION OF HOME TELEPHONE COMPANY OF WABASH
FOR INCREASE IN RATES.

No. 3872.

Decided January 11, 1919.

**Increase in Business, Residence and Rural Rates Authorized — Allowance
of 15 Per Cent. or 12 Per Cent. for Overheads Held Excessive —
Allowance for Going Value and Working Capital Made —
Appraisal Expense Ordered Amortized — Expense for
Officers' Salaries Reduced — Income Tax Eliminated
from Expense — Allowance of 5 Per Cent. Made for
Reserve for Depreciation — Allowance of 6 Per
Cent. Made for Rate of Return — Renting
of Part of Company's Office Building
Considered — Prompt Payment
Discount Authorized.**

Applicant, which operated a telephone system in Wabash, sought authority to increase rates for all classes of service 25 cents to 50 cents per month and to establish a prompt payment discount. Applicant's engineer, allowing 15 per cent. for overhead, estimated the reproduction cost new at \$229,191, and the reproduction cost new less depreciation at \$194,249. The Commission's engineers reported such values respectively at \$209,597 and \$177,155, allowing 12 per cent. for overhead. Applicant's capital stock is \$100,000 of which half was a stock dividend, and the company has paid for each year of its history not less than 6 per cent. dividends, and, since 1912, after providing for reserve for depreciation, has accumulated a special reserve fund of \$9,610 and made additions, extensions and betterments to plant out of excess earnings amounting to \$34,000, although dividends were only declared on the capitalization, which was less than the fair value. The Commission estimated that annual expenses, including reserve for depreciation, would be \$44,105.06 and gross revenues \$49,004, leaving approximately 3 per cent. return on a value of \$160,000.

Held: That the 15 per cent. and 12 per cent. allowances for overhead were arbitrary attachments of value, as there was no evidence of any capital expenditures for those items, although it might reasonably be assumed that some such expenditures had been made, and in view of the fact that the property had had a gradual growth, that but \$50,000 had been invested by the stockholders, and that it had largely been built out of excess profits, such allowance was too high, and an allowance of \$10,000 would be ample to cover such items;

That as the valuations submitted used average unit prices reflecting

abnormal war prices of material and labor, and having in mind the evidence as to investment costs and values at earlier periods which were more nearly related to the time of actual construction, and with due consideration to all elements entering into the determination of the fair value of the property, the Commission would not finally fix and determine the reasonable value of the property, but a value of \$160,000 would be tentatively accepted as a basis for temporary relief;

That the valuation included allowance for going value and working capital, there being little justification for substantial allowances for either item in view of the history of the company as affecting going value, and the fact that included in the values found was an item of \$6,616 for materials and supplies as affecting working capital;

That as charges for renewals and expenditures occasioned by sleet storm damage had been charged to maintenance when they should have been charged to reserve for depreciation, the allowance in operating expenses for maintenance should be reduced;

That appraisal expense of \$732.16 should be amortized at the rate of \$100 per year, and such item, together with \$700 excessive salaries of directors and other officers, and \$622.40 income tax, should be deducted in determining the reasonable operating expenses;

That petitioner was entitled to earn, for temporary purposes, 5 per cent. of \$150,000 for reserve for depreciation;

That as the estimated return under present rates was clearly an inadequate return, temporary relief should be granted, and petitioner should be permitted to earn annually during the temporary period of the order 6 per cent. on the estimated value of its property, or \$9,600, and an increase in all classes of rates of from 10 cents to 50 cents per month, subject to a prompt payment discount of 10 cents per month, which increase would produce said return, should be authorized;

That petitioner should endeavor to put its office building on a more favorable rental basis, and the present arrangement, by which one of the directors of the company leased a large portion of the building at what appeared to be a very low rental, was not an advantageous or desirable arrangement.

OPINION AND ORDER.

Petitioner owns and operates a telephone system in the city of Wabash, and

"applies to the Commission for authority to increase its rates for the reason that, in the judgment of the petitioner, it is necessary that the revenue of the company be increased in order to meet increased expenses, including wages for employees, advanced price of material that is necessary in the maintenance and upkeep of the property, and to set aside a depreciation fund, and allow a proper income."

C. L. 87]

The following are the present and the proposed rates:

	<i>Present</i> <i>Per Month</i>	<i>Proposed</i> <i>Per Month</i>
Independent business	\$2 00	\$2 50
Two-party business		2 25
Extra business listing.....	1 00	1 00
Independent residence	1 50	2 00
Two-party residence	1 50	1 75
Four-party residence	1 25	1 50
Extra residence listing.....	50	1 00
Independent residence beyond corporate limits..	2 00	2 50
Four-party residence beyond corporate limits..	1 50	2 00
Employee's independent line.....	1 00	1 50
Employee's four-party line.....	1 00	1 25
Rural lines	1 25	1 50
Magneto desk 'phones.....	1 25	1 75
Extension bells (bells only).....	25	25
Extension 'phones	50	50
Subscribers re-installed within three months after having service discontinued:		
Rural	1 50	1 50
City	1 00	1 00
Moving telephones, rural.....	1 50	1 50
Moving telephones, city	1 00	1 00

Authority is also asked to establish a discount for prompt payment of bills.

After due notice to the officials, commercial organizations and newspapers in the city of Wabash, the cause was heard at the court house at Wabash, July 29, 1918. At that time the matter was continued for further evidence, and a final hearing was held in the rooms of the Commission, Indianapolis, October 11, 1918.

PROPERTY VALUES.

A tentative appraisal of petitioner's property and audit of its books were made by the Commission's staff. J. K. Johnston, telephone engineer, appraised the property on behalf of petitioner.

The summaries of the two appraisals are as follows:

<i>Distribution</i>	<i>J. K. Johnston</i>		<i>Commission's Engineers</i>	
	<i>Cost of Reproduction</i>	<i>Present Value</i>	<i>Cost of Reproduction</i>	<i>Present Value</i>
Land.....	\$5,052	\$5,052	\$4,935	\$4,935
Distribution system.....	141,331	120,730	132,343	111,406
Buildings and miscellaneous structures.....	19,350	17,066	17,457	15,325
Exchange equipment.....	21,979	16,978	20,470	16,610
General equipment.....	5,616	3,753	5,085	3,593
Paving.....	239	239	217	206
15 per cent. of valuation for organization, engineering, superintendence, interest and taxes during construction, etc.....	28,262	23,815	*21,661	*18,249
Materials — Supplies.....	7,362	6,616	7,429	6,831
TOTAL.....	\$229,191	\$194,249	\$209,597	\$177,155

* Commission's staff used 12 per cent.

RECAPITULATION.

	<i>J. K. Johnston</i>	<i>Commission's Engineers</i>
Cost reproduction	\$229,191	\$209,597
Present value	194,249	177,157

It will be observed that Johnston allowed 15 per cent. for organization, engineering, etc., whereas the Commission's engineers used 12 per cent.

It was shown by petitioner that there were certain errors in the tentative appraisal made by the Commission's engineers which, if corrected, would increase the staff's estimate.

The present values thus found by the respective engineers represent merely the cost of reproduction new, less depreciation. Johnston and the Commission's engineers both used five-year or other average unit prices which reflected the abnormal war prices of material and labor.

The evidence discloses that the unit prices for poles, for

C. L. 87]

example, used by both Johnston and the Commission's staff, were greatly in excess of prices prevailing at the time of construction. Figures as to original cost or actual investment were not submitted, but it is evident from the testimony as to costs prior to the five-year averages used that the present values submitted by the Commission's engineers and Johnston are greatly in excess of the actual investment in the property.

Apropos of this point, the testimony of the president of the company is that the actual investment of the stockholders was but \$50,000. The values found by the engineers represent this original investment, subsequent reinvested earnings, and enhanced values due to use of abnormally high unit costs.

The company was organized in 1895 with \$10,000 capital stock, which was increased in 1896 to \$20,000, and in 1905 to \$50,000. Up to this time the stock was fully paid. In 1913, however, the capitalization was increased to \$100,000, and the \$50,000 additional stock was distributed to the stockholders as a dividend.

In some of the earlier years no dividends were paid, but later deferred dividends of 6 per cent. and 7 per cent. were declared and paid, covering all previous years in the company's history; so, as the record now stands, the company has paid annual dividends for each year of its history of not less than 6 per cent. Without questioning the excess profits earned prior to the enactment of the Shively-Spencer Utility Commission Act, or property values theretofore attaching by reason of the reinvestment of excess earnings, the Commission will, however, scrutinize the experience of the company in these particulars since the passage of the regulatory Act in 1913.

Since 1912, under the present rates, the petitioner has paid all operating expenses, provided for depreciation, and up to December 31, 1917, accumulated a special reserve fund of \$9,610 (a portion of which came from previous sales of stock), paid not less than 6 per cent. dividends annually, and in addition, out of excess earnings, made

extensions, additions and betterments to plant, amounting to more than \$34,000. On the other hand, the dividends declared by petitioner since 1913 have been paid on a capitalization of but \$100,000, which sum obviously was less than the fair value of the property at that time.

The 15 per cent. allowed by Johnston and the 12 per cent. allowed by the Commission's engineers for engineering, superintendence, interest during construction, etc., is an arbitrary attachment of values. There is no evidence of any capital expenditures for these items. It may, however, reasonably be assumed that in the original construction and during the growth of the property some such expenditures have been made. In view, however, of the fact that the property has had a gradual growth; that but \$50,000 has been invested by the stockholders, and that the property has largely been built out of excess profits, it is difficult to find a justification for the allowance of \$23,000, or \$18,000 for engineering, superintendence, etc. Much of this work has been paid as an operating expense.

An allowance of \$10,000 will, in the opinion of the Commission, amply cover capital expenditures for engineering, superintendence, interest during construction, etc. A deduction, therefore, of \$13,815 from this item in Johnston's appraisal will be made, leaving as total cost of reproduction new, less depreciation \$180,434.

Considering the fact that this valuation unduly reflects the abnormal high war costs of materials and supplies, and having in mind the evidence as to investment costs and values at earlier periods, which are more nearly related to the time of actual construction, and with due consideration to all elements entering into the determination of the fair value of the property, the Commission, for the purposes of this emergency case, believes that a valuation of \$160,000 can fairly be accepted.

This valuation includes allowance for going value and working capital, there being little justification for substantial allowances for either item in view of the history of the company as affecting going value, and the fact that

C. L. 87]

included in the values found is an item of \$6,616 for materials and supplies as affecting working capital.

This case will be considered under the amendment to the petition, which asks for temporary relief. Therefore, the Commission will not finally fix and determine the reasonable value of petitioner's property, but the value of \$160,000 will be tentatively accepted for the purpose of passing on the questions presented.

The income account of petitioner for the years 1917 and 1918 (1918 based on six months' operation) is as follows:

<i>Revenues:</i>	1917	1918
Operating revenues	\$47,674 33	\$47,224 00
Non-operating revenues	783 47	780 00
TOTAL REVENUES	\$48,457 80	\$48,004 00
 <i>Operating Expenses:</i>		
Maintenance (no depreciation).....	\$5,797 54	\$7,644 96
Traffic	14,949 91	15,037 08
Commercial	1,632 73	2,017 32
General	4,499 75	8,378 52
Taxes	1,948 34	2,750 74
TOTAL OPERATING EXPENSES.....	\$28,828 27	\$35,828 62
There was set up for depreciation.....	8,298 62	8,256 00
TOTAL OPERATING EXPENSES, INCLUDING DE- PRECIATION	\$37,126 89	\$44,084 62

The evidence shows (page 11, audit; 76, 77 of transcript) that petitioner has charged many depreciation expenditures to maintenance—charges for renewals, which properly should have been made against depreciation reserve. Large expenditures occasioned by sleet storm damage have been charged to maintenance. Mr. Van Nostram, general manager, stated that possibly 40 per cent. of the maintenance charges was a fair estimate of the amount properly charge-

able to renewals. Inasmuch as an allowance will be made herein for depreciation, a deduction of \$2,319 in the 1918 maintenance expense will be made.

In determining reasonable operating expenses, the following deductions should also be made:

Directory expense (duplicated).....	\$350 00
Appraisal expense (should be amortized at the rate of \$100 per year)	732 16
Deduction of excessive salaries of directors and other officers.....	700 00
Income tax	622 40
Item of maintenance above mentioned.....	2,319 00
TOTAL DEDUCTION FROM OPERATING EXPENSES.....	\$4,723 56

Deducting this sum from the estimated operating expenses above shown, leaves \$31,105.06 — representing annual operating expenses, including taxes.

The evidence disclosed, however, that on July 1, 1918, the salaries and wages of all employees had been increased, resulting in an annual increase in the pay roll of \$5,000.

Liability insurance, which the company heretofore has not carried, has recently been taken out at an annual expense of approximately \$500.

The sum of the two items above, \$5,500, should therefore be added to the operating expenses, making the total annual operating expenses \$36,605.06. There are other minor deductions and additions, but they are not sufficiently important to affect the result.

Petitioner is entitled to earn a reasonable sum annually for depreciation. The Commission believes that, at least for temporary purposes, 5 per cent. of \$150,000, or \$7,500 a year, will provide reasonably for depreciation.

The company has experienced the following annual increases in gross revenue:

1915	1916	1917
\$765 94	\$3,809 76	\$1,758 26

C. L. 87]

The Commission is of the opinion that, despite anticipated losses of business occurring by reason of temporary increases in rates, petitioner will enjoy a proportionately larger business in 1919, and that it is reasonable to believe that this increase will be not less than \$1,000.

Recapitulating all of the above deductions and additions the estimated summarized income account for 1919, under existing rates, is as follows:

Gross revenues	\$49,004 00
Total operating expenses.....	\$36,605 06
Depreciation	7,500 00
<hr/>	
Total operating expenses and depreciation.....	44,105 06
<hr/>	
Leaving net income.....	\$4,898 94
or approximately 3 per cent. on the tentatively estimated property values of \$160,000.	

This is clearly an inadequate return and, in the opinion of the Commission, temporary relief should be granted. With the return of normal times, rate adjustments to meet reduced operating costs, if such occurs, can be made.

Petitioner should be permitted to earn annually, during the temporary period of this order, 6 per cent. on the estimated value of its property, or \$9,600.

It appears that in 1919 the present rates will fail to produce this sum by \$4,701. The Commission suggests that petitioner should endeavor to put its office building on a more favorable rental basis. The present arrangement by which one of the directors of the company leases a large portion of the building at what appears to be a very low rental, apparently is not an advantageous or desirable arrangement.

The Commission finds, therefore, that the existing rates of petitioner are inadequate and unjust, and temporarily should be increased.

The Commission further finds that petitioner should set aside annually for depreciation on the basis of its present

property value, \$7,500. This fund so created should be handled in conformity with the appended order.

The rate for

	<i>Per Month</i>
Individual business telephone is now.....	\$2 00
Individual residence telephone.....	1 50
Four-party residence telephone in city.....	1 25
And rural party line telephone.....	1 25

By temporarily suspending these particular rates, and providing in lieu thereof, the following rates:

Individual business telephone.....	\$2 50
Individual residence telephone	1 75
Four-party residence telephone in city.....	1 45
Rural party telephone.....	1 50

with a discount of 10 cents per month if bills are paid on or before the fifteenth day after rendition, the increased revenues derived therefrom should approximate the additional revenue needed.

All other rates of petitioner should remain unaltered and undisturbed, except that the sum of 10 cents should be added to each rate, and a discount of 10 cents should be allowed if bills are paid on or before the fifteenth day after rendition.

It is, therefore, ordered by the Public Service Commission of Indiana, That petitioner be, and it is hereby, authorized to impose and collect in lieu of the present rates for the same service, the following rates, tolls and charges:

Individual business telephone.....	\$2 50
Individual residence telephone	1 75
Four-party residence telephone in city.....	1 45
Rural party telephone.....	1 50

A discount of 10 cents shall be allowed if bills are paid on or before the fifteenth day after rendition.

It is further ordered, That petitioner be, and it is hereby, authorized to add to each of its rates other than the above, the sum of 10 cents, which sum shall be discounted if bills are paid on or before the fifteenth day after rendition.

C. L. 87]

It is further ordered, That the petitioner shall set aside annually for depreciation the sum of \$7,500, until the further order of the Commission.

It is further ordered, That the petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Moneys accumulating in said fund should be invested, and if invested, such investment shall be made in government or other high grade listed securities which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property — items properly chargeable to capital account — but, in such event, petitioner shall pledge to said fund its own note or bonds, bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry, with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

It is further ordered, That these rates shall be effective on and after January 1, 1919, and shall continue in force until January 1, 1920, unless theretofore altered or amended by the Commission.

It is further ordered, That the petitioner file said new rates with the Commission within ten days from date.

It is further ordered, That the Home Telephone Company of Wabash, Indiana, shall pay to the Treasurer of the State of Indiana, within ten days from the date of this order, the sum of \$350.05, this being the expense incurred in connection with the audit and appraisal of said company's property.

COST OF APPRAISAL.

	<i>Days</i>	<i>Salary</i>	<i>Hotel</i>	<i>Railroad Fare</i>	<i>Total</i>
W. H. Beck.....	30	\$124 80	\$15 75	\$8 02	\$148 57
J. T. Hallett.....	25	104 00	15 75	7 42	127 17
		<hr/>	<hr/>	<hr/>	<hr/>
		\$228 80	\$31 50	\$15 44	\$275 74

COST OF AUDIT.

Fred E. Swain, 10½ days, at \$4.81.....	\$50 51
Fred E. Swain, railroad fare.....	15 25
Fred E. Swain, hotel.....	8 55
	<hr/>
	74 31

TOTAL OF EXPENSE OF AUDIT AND APPRAISAL..... \$350 05

January 11, 1919.

In re PETITION OF ROCHESTER TELEPHONE COMPANY TO
ESTABLISH VACATION RATES.

No. 4291.

Decided January 13, 1919.

**Reduction of Rates to Subscribers Absent from Home for One Month or
Longer Authorized.**

OPINION AND ORDER.

On December 11, 1918, the Rochester Telephone Company of Rochester, Indiana, filed a petition with the Public Service Commission of Indiana, for authority to file a supplemental schedule, providing for a rate of one-half of the present rate for patrons who are absent from their homes at various times during the year.

In view of the fact that petitioner has asked permission of the Public Service Commission of Indiana to reduce its rates to subscribers who are absent from their homes for a period of one month or longer, to one-half the present rate, the Commission sees no reason why it should deny the prayer of petitioner. In granting the authority herein

C. L. 87]

sought the Commission does not bind itself to any arrangement, nor does it establish a precedent of this kind. In this matter the petitioner is offering voluntarily to reduce rates. The Commission will permit such reduction, but this action is not to be interpreted as indicating a general policy on the part of the Commission in the adoption of such a rate upon application of utilities or subscribers.

The Public Service Commission of Indiana, having heard the evidence and being fully advised in the matter, is of the opinion that the prayer of the petitioner should be granted, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Rochester Telephone Company of Rochester, Indiana, is hereby and herein authorized to file a supplemental schedule with the Public Service Commission of its rates, tolls and charges, providing for a charge, of one-half of the rate in effect, to all subscribers who are absent and away from their homes for one month or longer.

It is further ordered, That the subscribers desiring this vacation rate shall serve notice on petitioner in advance, in order to obtain the said reduced rate. Said schedule of rates, tolls and charges to be in force and on file, effective February 1, 1919, and thereafter, or until further orders of the Commission.

January 13, 1919.

KANSAS.

Public Utilities Commission.

***In re* APPLICATION OF W. P. HAYS, DOING BUSINESS AS THE
ARLINGTON TELEPHONE COMPANY, FOR PERMISSION TO
CHANGE RATES.**

Docket No. 2717.

Decided January 14, 1919.

**Increase in Rates Authorized in View of Increase in Operating and
Maintenance Expenses.**

ORDER.

On the fourth day of December, 1918, the matter of the application of W. P. Hayes, doing business under the firm name and style of The Arlington Telephone Company, for permission to make certain changes in rates for telephone service at Arlington, Kansas, upon due notice, came on for hearing at Hutchinson, Kansas; and after the taking of the testimony the matter was taken under advisement.

And now on this fourteenth day of January, 1919, this matter comes duly on for order; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that, owing to increased operating and maintenance expenses, including especially the items of labor, material and supplies, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates covering various classes of service furnished by him as hereinafter provided for.

It is, therefore, by the Commission ordered, That W. P. Hayes, doing business under the firm name and style of The Arlington Telephone Company, be, and he is hereby, authorized and permitted to file an amended schedule of rates effective on and after February 1, 1919, providing charges

C. L. 87]

for the various classes of service furnished by him and through his exchange at Arlington, Kansas, as follows, to wit:

	<i>Per Month</i>
Individual line business telephone.....	\$1 75
Individual line residence telephone.....	1 25
Party line residence telephone.....	1 00
Rural party line telephone (all equipment owned and maintained by petitioner).....	1 25

January 14, 1919.*

In re APPLICATION OF PEOPLES HOME TELEPHONE COMPANY
FOR PERMISSION TO CHANGE RATES.

Docket No. 2639.

Decided January 27, 1919.

**Increase in Individual and Party Line Residence Rates Authorized —
Company Ordered to Continue Setting Aside Annually \$23,000
for Reserve for Depreciation.**

ORDER.

On this twenty-seventh day of January, 1919, the matter of the application of the Peoples Home Telephone Company of Leavenworth, Kansas, for permission to change certain of its rates, comes duly on for order by the Commission upon the pleadings of the parties heretofore filed herein, the evidence introduced thereunder and the briefs and arguments of counsel; and the Commission, upon consideration of said pleadings, briefs and arguments, and being duly advised in the premises, finds that heretofore on the twenty-first day of March, 1918, authority was granted petitioner (Docket No. 1470)† to file and publish as amended schedule of rates, providing certain charges for residence service;

* Similar orders were entered in the following cases:

F. R. Cooper, Doing Business under the Name of Longton Telephone Co.
No. 2571. January 9, 1919.

Southwestern Bell Telephone Co. No. 2551. January 31, 1919.

† See Commission Leaflet No. 77, p. 1040.

that said rates were based upon petitioner's operating revenues and expenses for the year 1917; that since the date of said order, viz., on July 8, 1918, the Industrial Welfare Commission of the State of Kansas issued its order, effective September 5, 1918, relating to and governing the hours of work and minimum wage to be paid women and minor telephone operators within the State of Kansas, fixing therein a schedule of wages to be paid telephone operators, which order in and of itself appears reasonable and equitable; that as a result of operation under said order, based on petitioner's actual experience in operators' wages actually paid during the months of September, October, November and December, 1918, said item of expense alone carries with it an increase of \$11,876 per annum, as compared with the actual operators' wages paid by petitioner during the year 1917; that upon a complete and careful investigation and study of petitioner's present operating revenues and expenses, giving due consideration to all of the increased operating expenses involved, and increased revenues flowing from the amended schedule of rates heretofore authorized, and other sources, petitioner should be authorized and permitted to file, publish, declare and make effective an amended schedule of rates for residence service as hereinafter provided for.

It is, therefore, by the Commission considered and ordered, That the Peoples Home Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after February 1, 1919, to be charged for several classes of residence service to be furnished by it at and through its Leavenworth exchange, as follows, to-wit:

	<i>Per Month</i>
Individual line residence telephone.....	\$2 00
Two-party line residence telephone.....	1 65
Four-party line residence telephone (code ringing).....	1 40
Four-party line service, to be furnished whenever circuits supplying this class of service are available or can be reasonably provided.	

C. L. 87]

All other rates, classifications, regulations and practices to remain as are now in force.

It is further by the Commission considered and ordered, That the Peoples Home Telephone Company, of Leavenworth, Kansas, after paying its proper and necessary operating expenses, continue its present practice of setting aside out of its income, monthly for depreciation replacement, at least a sum which will amount to \$23,000 annually, as provided for in the opinion and order heretofore rendered on March 21, 1918 (Docket No. 1470),* which sum shall be credited to the proper depreciation reserve account. The books of said company shall at all times be so kept as to clearly show the disposition of said sums. If any portion thereof is used temporarily for extensions or betterments, the books of said company shall be so kept as to clearly show what portion of the replacement reserve has been so used and the specific extensions or betterments for which the same has been used.

January 27, 1919.

* See Commission Leaflet No. 77, p. 1040.

LOUISIANA.

Railroad Commission.

In re INSTALLATION AND MOVING CHARGES TO BE MADE BY THE
CUMBERLAND TELEPHONE AND TELEGRAPH COMPANY
UNDER ORDER No. 1931 OF THE POSTMASTER GENERAL.

Decided September 26, 1918.

**Commission Unable to Approve Installation Charges and Moving
Charges Prescribed in Order No. 1931 of Postmaster General.**

RULING.

Further referring to your letter of September 6, 1918, and my reply thereto under date of September 9, 1918, concerning the requested approval by this Commission of the schedule of charges prescribed in Order No. 1931 of the Postmaster General for the installation of telephones and changes in location of telephones, I desire now to advise you that this Commission at its last session held in Baton Rouge on Tuesday, September 24, 1918, considered this matter.

The Commission instructs me to say that in view of the fact that these charges have been put into effect in this State under the order of the Postmaster General, it appears to be unnecessary at this time that any action should be taken by the Louisiana Commission. If the Postmaster General is vested with authority to prescribe these charges, then such authority supersedes the authority of the Railroad Commission of Louisiana; and if he has not such authority, and jurisdiction vests in this Commission, then the application must be considered in accordance with the established rules and regulations of the Railroad Commission of Louisiana, which require a hearing of all interested parties wherever advances in rates or charges are made.

It is the understanding of this Commission that the

C. L. 87]

advances which have been prescribed by the Postmaster General were made without notice to the public and without any public hearings or investigation; and this procedure is so at variance with the established practice of this Commission, and existing laws of this State, that the Commission is unable to approve this application and will take no action at this time.

September 26, 1918.*

* Letter of Henry Jastremski, secretary of Louisiana Railroad Commission, to W. T. Gentry, president, Cumberland Telephone and Telegraph Company, September 26, 1918.

MASSACHUSETTS.

Public Service Commission.

In re PROPOSED CHANGES IN TOLL RATES BY THE NEW
ENGLAND TELEPHONE AND TELEGRAPH COMPANY, *et al.*

P. S. C. No. 2350.

Decided January 20, 1919.

**Toll Rates and Toll Service Classifications Prescribed by Postmaster
General in Order No. 2495, Suspended Pending an Investigation.**

ORDER.

Notice of the New England Telephone and Telegraph Company, the Highland Telephone Company, the Providence Telephone Company of Massachusetts and the Heath Telephone Company of proposed changes in toll telephone rates.

In the matter of the proposed changes in toll telephone rates by the New England Telephone and Telegraph Company, the Highland Telephone Company, the Providence Telephone Company of Massachusetts and the Heath Telephone Company, as shown in basic toll rate schedules filed in this office December 21, 1918, in accordance with Telegraph and Telephone Bulletin No. 22, Order 2495 of the Postmaster General of the United States, effective in the Commonwealth of Massachusetts January 21, 1919, the Commission having entered upon an investigation as to the propriety of said changes,

It is ordered, That the operation of said schedules, so far as they affect toll telephone rates between points in the Commonwealth of Massachusetts, be suspended and the use of the changes stated therein be deferred until February 20, 1919, unless otherwise ordered by the Commission.

And it is further ordered, That a copy of this order be filed with said schedules at the office of the Commission and

C. L. 87]

that a copy hereof be forthwith served upon the New England Telephone and Telegraph Company, the Highland Telephone Company, the Providence Telephone Company of Massachusetts, the Heath Telephone Company, and the Postmaster General of the United States.

January 20, 1919.

***In re* CHANGES IN RATES FOR TELEPHONE TOLL SERVICE
WITHIN MASSACHUSETTS IN ACCORDANCE WITH ORDER
NO. 2495 OF THE POSTMASTER GENERAL OF THE UNITED
STATES FILED BY NEW ENGLAND TELEPHONE AND TELE-
GRAPH COMPANY, *et al.***

P. S. C. 2350.*

Decided January 31, 1919.

**Telephone Company Ordered to Cancel Toll Rates and Toll Classifica-
tions Prescribed by Order No. 2495 of Postmaster General, and
Put in Effect Despite Suspension Order of Commission
— Jurisdiction of Commission Discussed.**

On January 20, 1919, the Commission suspended,† pending an investigation, the toll rates and toll classifications prescribed by the Postmaster General in Order No. 2495. The Postmaster General was forthwith notified by wire that such an order had been issued and copies were served by mail upon him and the companies involved.

Notwithstanding the order, and in direct violation of its provisions, the rates and classifications fixed in said Order No. 2495 of the Postmaster General were put in effect on January 21, and were continued in effect. In accordance with Section 28 of Chapter 784 of the Acts of 1913 (the Public Service Commission Law), the Commission directed the attention of the Attorney General to this violation of its order and of the law of the Commonwealth, and requested him to begin at once an action or proceeding in the Supreme Judicial Court of Massachusetts in the name of the Commission for the purpose of having such violation stopped and

* On February 4, 1919, the Supreme Judicial Court, in the proceeding brought by the Attorney General in the name of the Commission against the New England Telephone and Telegraph Company, declined to grant a temporary injunction. Arrangements were made to complete the pleadings by February 11, 1919, the case to be argued on the merits before the full bench, sitting either the last of February or the first of March.

† See Commission Leaflet No. 87, p. 962.

prevented either by mandamus or injunction. Proceedings of this nature were instituted by the Attorney General.

Held: That the entire disregard by the Postmaster General of the suspension order entered by the Commission in accordance with the laws of the Commonwealth made it clear that the primary issue to be considered was one of jurisdiction and that it would be undesirable to undertake an extensive investigation with a view of determining whether or not the new rates were just and reasonable until the question of jurisdiction was settled;

That the jurisdiction of the Commission in the premises, which certainly existed prior to the resolution of Congress authorizing the President, in time of war, to take possession and assume control of telegraph, telephone, etc., lines, was preserved by that resolution, the final proviso of which read: "That nothing in this Act shall be considered to amend, repeal, impair or affect existing laws or powers of the states in relation to taxation or the lawful police regulations of the several states except wherein such laws, powers or regulations may affect the transmission of government communications or the issue of stocks and bonds by such system or systems;"

That, as determined by many decisions of the United States Supreme Court, the public supervision of rates charged by a public utility company is an exercise of police powers and covered by the designation "lawful police regulations" mentioned in the proviso of the resolution above;

That such supervision by the Commission in the present instance would in no way affect the transmission of government communications or the issue of stocks and bonds by the telephone company;

That there was nothing in the history of the resolution to indicate that it was the intent of Congress to set aside or nullify the powers of the states over telephone charges, for as a matter of common knowledge the resolution was adopted because of the danger that telegraph service would be interrupted by labor troubles, and Congress desired to insure continuity of both telephone and telegraph service during the war rather than to inaugurate, under government auspices, revolutionary changes in the methods of charging;

That since the immediate question was one of jurisdiction, it was unnecessary either to describe or discuss the new rates at any length;

That the New England Telephone and Telegraph Company, the Heath Telephone Company, the Highland Telephone Company and the Providence Telephone Company of Massachusetts should cancel forthwith the rates and charges stated in the schedules specified above, as these rates and charges are unjust and unreasonable, and the said companies should thereafter maintain within the Commonwealth of Massachusetts the rates and charges for telephone service which were in effect prior to January 21, 1919, which rates the Commission had found to be just and reasonable.

OPINION AND ORDER.

On July 16, 1918, Congress adopted a resolution (see Appendix A)* empowering the President to take possession and assume control of telephone and telegraph properties during the war, for a period not to extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace. Under authority of this resolution all properties of this character in the country were taken over on July 31, 1918, by virtue of a proclamation of the President dated July 22, 1918, which directed that the supervision, possession, control and operation of such telegraph and telephone systems should be exercised by and through the Postmaster General, Albert S. Burleson.

By Order No. 1744 of the Postmaster General, dated July 23, 1918, John C. Koons, First Assistant Postmaster General, David J. Lewis, Commissioner, United States Tariff Commission, and William H. Lamar, Solicitor of the Post Office Department, were appointed

“a committee for the governmental management, operation and control of the telegraph and telephone systems covered by the proclamation of the President dated July 22, 1918,”

the Postmaster General being the chairman of this committee. On October 5, 1918, the proposal of the American Telephone and Telegraph Company, in behalf of itself and of the constituent companies comprising the Bell System, with respect to just compensation for the use of the properties owned by it and by these other companies during the period of federal control, was accepted by the Postmaster General, and on October 15, 1918, the board of directors of the New England Telephone and Telegraph Company formally joined in this proposal which had thus been accepted. We are informed that similar contracts have been or are to be made with the Heath Telephone Company, the Highland Telephone Company and the Providence Telephone Company of Massachusetts.

On December 13, 1918, more than a month after the signing of the armistice, the Postmaster General issued an order

See *infra*, p. 971.

(Telegraph and Telephone Bulletin No. 22, Order No. 2495) directing that comprehensive changes in telephone toll rates be made throughout the country. On December 21, 1918, a schedule embodying these changes, in the case of toll service within the Commonwealth, was filed by the New England Telephone and Telegraph Company with this Commission, effective January 21, 1919, and similar schedules were filed by the Heath Telephone Company, the Highland Telephone Company and the Providence Telephone Company of Massachusetts. On January 9, 1919, the Commission gave notice that a public hearing upon these proposed new schedules would be held on January 17, 1919, and sent a communication to the Postmaster General (see Appendix B)* stating that it could not, in good faith with the people of Massachusetts, allow the new rates to become effective with its approval until they had been shown to be just and reasonable.

At the public hearing, *Matt B. Jones*, then vice president and now president of the New England Telephone and Telegraph Company, appeared for the Postmaster General and read into the record a letter (see Appendix C), which the Commission had received from W. H. Lamar, Solicitor for the Post Office Department, and a member of the committee for the governmental management, operation and control of the telegraph and telephone systems. The hearing continued throughout the day, and upon notification that Mr. Jones wished to present additional evidence, it was adjourned until January 30, 1919, the earliest available date, the Commission announcing that the taking effect of the new schedules would be suspended, under the provisions of Section 21 of Chapter 784 of the Acts of 1913, pending further investigation and the decision thereon.

On January 20, 1919, an order† was duly issued by the Commission suspending the taking effect of the new schedules until February 20, 1919. The Postmaster General was forthwith notified by wire that such an order had been issued and copies were served by mail upon him and upon

* See *infra*, p. 972.

† See *supra*, p. 962.

C. L. 87]

the companies involved. Notwithstanding this order,* and in direct violation of its provisions, the rates so suspended were placed in effect on January 21, 1919, have been in effect ever since, and are in effect now. In accordance with Section 28 of Chapter 784 of the Acts of 1913, the Commission directed the attention of the Attorney General to this violation of its order,* and of the law of the Commonwealth, and requested him to begin at once an action or proceeding in the Supreme Judicial Court of Massachusetts in the name of the Commission for the purpose of having such violation stopped and prevented, either by mandamus or injunction. Proceedings of this nature have been instituted by the Attorney General and are now pending.

The entire disregard by the Postmaster General of the suspension order* entered by the Commission in accordance with the laws of the Commonwealth, made it clear that the primary issue to be considered is one of jurisdiction, and that it would be undesirable to undertake an extensive investigation, with a view to determining whether or not the new rates are just and reasonable, until this question is settled. The representative of the Postmaster General in this matter, Mr. Jones, agreed with this conclusion, and in order that this issue might be raised in the most definite manner and determined promptly, he directly challenged and denied the jurisdiction of the Commission in the premises, at the continued hearing on January 30, 1919, and rested his case upon this denial and upon the letter of the Solicitor for the Post Office Department referred to above. His action was taken, however, upon the understanding that, if the jurisdiction of the Commission should be sustained by the courts, either the Postmaster General or the companies if they should then be in private control, should be free without prejudice to file schedules of rates similar to those which have now been placed in effect, as we believe illegally, and submit evidence to prove their justice and reasonableness.

In the opinion of the Commission its jurisdiction in the

* See *supra*, p. 962.

premises, which certainly existed prior to the resolution of Congress, was preserved by that resolution. The final proviso reads as follows:

"Provided further, that nothing in this Act shall be construed to amend, repeal, impair, or affect existing laws or powers of the states in relation to taxation or the lawful police regulations of the several states, except wherein such laws, powers, or regulations may affect the transmission of government communications, or the issue of stocks and bonds by such system or systems."

There are many decisions of the United States Supreme Court indicating that the public supervision of rates charged by a public utility company is an exercise of police powers and covered by the designation, "lawful police regulations." It is obvious also that such supervision by this Commission in the present instance would in no way

"affect the transmission of government communications, or the issue of stocks and bonds"

by the telephone companies. Nor is there anything in the history of the legislation to indicate that it was the intent of Congress to set aside or nullify the powers of the states over telephone charges. It is a matter of common knowledge that the resolution was adopted because of the danger that telegraph service would be interrupted by labor troubles, and it was clearly the desire of Congress to insure continuity of both telegraph and telephone service during the war, rather than to inaugurate, under government auspices, revolutionary changes in methods of charging.

Under the circumstances, since the immediate question is one of jurisdiction, it is unnecessary either to describe or to discuss the new rates at any length. It may be said that in Massachusetts and throughout the entire territory which the New England Telephone and Telegraph Company serves, it is conceded that they represent a substantial increase in charges. Attention is called also to the fact that it is stated in the letter of Solicitor Lamar (see Appendix C) that the main purpose of the new schedule is to remove the

* See *infra*, p. 973.

C. L. 87]

"many inconsistencies and irregularities which heretofore have existed in the toll schedules of telephone companies in many parts of the United States"

and to standardize the rates from a nation wide standpoint, so that between any two points in any part of the country they would be

"exactly the same as between any two equidistant points in any other part of the country."

The effect on revenues was not

"the prime consideration for the schedule,"

and the Postmaster General was not advised as to the effect upon the revenues of the New England Telephone and Telegraph Company. Of this reasoning it is sufficient to say that it does not seem to the Commission by any means self evident that the toll rates between two points in the thickly settled territory of Massachusetts should necessarily be the same as the rates between any two equidistant points in some dissimilar part of the country, that we know of no public demand for such a standardization, and that we are not aware of any inconsistencies or irregularities in the toll schedules which have heretofore existed in Massachusetts which have caused complaint from patrons or have been prejudicial to the proper operation of the telephone properties.

As the record is now left, however, and for the purpose of testing at once the question of jurisdiction, the Commission finds that the burden of proof imposed by Section 21 of Chapter 784 of the Acts of 1913, in the case of proposed changes in rates, has not been sustained by the Postmaster General or by the companies, and that the telephone toll schedules which were in actual effect in Massachusetts prior to January 21, 1919, and which are still, as we believe, in legal effect, are just and reasonable and embody the rates which should be charged by the companies in question. An order to this effect is entered below. It is entered without prejudice to the right of any party in interest, after the

question of jurisdiction has been determined, to present to the Commission further evidence as to the reasonableness either of the old or the new rates under consideration.

ORDER.

It appearing that on December 21, 1918, the New England Telephone and Telegraph Company, the Heath Telephone Company, the Highland Telephone Company and the Providence Telephone Company of Massachusetts issued and filed with this Commission schedules of rates for telephone toll service within the Commonwealth, effective January 21, 1919, each of which was designated

"Basic Toll Rate Schedule, issued in accordance with Telegraph and Telephone Bulletin No. 22, Order No. 2495, of the Postmaster General of the United States;"

that the Commission entered upon an investigation concerning the justice and reasonableness of the rates proposed in said schedules, duly notifying and holding public hearings on January 17, 1919, and on January 30, 1919; and that the Commission, by an order* dated January 20, 1919, entered in accordance with Section 21 of Chapter 784 of the Acts of 1913, suspended the taking effect of said schedules of rates until February 20, 1919, pending further investigation and the decision thereon.

It further appearing that a full investigation of the matters and things involved has been had and that the Commission, under date hereof, has made a report containing its findings of fact and of law and conclusions thereon, which said report is hereby referred to and made a part hereof,

It is ordered, That the carriers respondent herein and designated in said schedules, namely, the New England Telephone and Telegraph Company, the Heath Telephone Company, the Highland Telephone Company, and the Providence Telephone Company of Massachusetts be, and they are hereby, notified to cancel forthwith the rates and charges stated in the schedules specified above and in said order of

C. L. 87]

suspension,* which rates and charges have been found by the Commission to be unjust and unreasonable.

It is further ordered, That said respondents be, and they are hereby, notified and required to put in force and effect forthwith, and thereafter to maintain within the Commonwealth of Massachusetts, the rates and charges for telephone toll service which were in effect prior to January 21, 1919, and which are stated in the schedules now on file in the office of this Commission as the lawful rates and charges within the Commonwealth for such service, which rates and charges have been found by the Commission to be just and reasonable.

It is further ordered, That copies of this order be filed at the office of the Commission with the schedules herein ordered to be cancelled, and that copies hereof be forthwith served upon the New England Telephone and Telegraph Company, the Heath Telephone Company, the Highland Telephone Company and the Providence Telephone Company of Massachusetts, and upon the Postmaster General of the United States.

January 31, 1919.

APPENDIX A.

Public Resolution—No. 38—65th Congress

(*H. J. Res. 309.*)

To authorize the President, in time of war, to supervise or take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems or any part thereof and to operate the same in such manner as may be needful or desirable for the duration of the war, and to provide just compensation therefor.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President during the continuance of the present war is authorized and empowered, whenever he shall deem it necessary for the national security or defense, to supervise or to take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, which supervision, possession, control or

* See *supra*, p. 962.

[Mass.]

operation shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace; *provided*, that just compensation shall be made for such supervision, possession, control or operation, to be determined by the President; and if the amount thereof, so determined by the President, is unsatisfactory to the person entitled to receive the same, such person shall be paid seventy-five per centum of the amount so determined by the President and shall be entitled to sue the United States to recover such further sum as, added to said seventy-five per centum, will make up such amount as will be just compensation therefor, in the manner provided for by Section 24, Paragraph 20 and Section 145 of the Judicial Code: *Provided further*, that nothing in this Act shall be construed to amend, repeal, impair, or affect existing laws or powers of the states in relation to taxation or the lawful police regulations of the several states, except wherein such laws, powers, or regulations may affect the transmission of government communications, or the issue of stocks and bonds by such system or systems.

(July 16, 1918)

APPENDIX B.

Letter to the Postmaster General of the United States.

Public Service Commission.

Boston.

January 9, 1919.

Hon. Albert S. Burleson,

Postmaster General of the U. S.,

Washington, D. C.

Dear Sir:

On December 21, 1918, the New England Telephone and Telegraph Company filed with this Commission a basic toll rate schedule issued in accordance with your telephone and telegraph Bulletin No. 22, Order No. 2495, and effective January 21, 1919. This schedule provides for so large and so general an increase in charges within Massachusetts that the Commission has felt that it ought not to permit the new rates to go into effect, with its approval, until cause has been shown. For this reason it has set the matter down for public hearing on Friday, January 17, 1919, at 10:30 A. M., the hearing to be held at the office of the Commission at No. 1 Beacon street, Boston, in order that an opportunity may be given to representatives of the company or to your own representatives to explain the reasons for the change. We have been reluctant to take this step, for the Commission has been desirous of helping you in the successful administration of the telephone properties in every way that we could. The increases proposed, however, are very substantial and it has not

C. L. 87]

seemed to the Commission that it could, in good faith with the people of Massachusetts, give its sanction to the new schedule until it had been shown to be just and reasonable.

Very truly yours,
(Signed) FRED J. MACLEOD,
Chairman.

APPENDIX C.

Letter of the Solicitor of the Post Office Department.

Post Office Department.

Office of the Solicitor.

Washington.

January 15, 1919.

Hon. Fred J. Macleod, Chairman.

Public Service Commission of Massachusetts,

1 Beacon Street, Boston, Massachusetts.

Dear Sir:

I beg to acknowledge receipt of your letter of January 9, 1919, addressed to the Postmaster General, and advising that your Commission will hold a hearing on Friday, January 17, 1919, in the matter of the toll rates prescribed in Bulletin No. 22, Order No. 2495, issued by the Postmaster General on December 13, 1918, which was duly filed by the New England Telephone and Telegraph Company with your Commission to become effective January 21, 1919.

While the New England company, which, as you are aware, is now and ever since August 1, 1918, has been operating its properties for the account of the government and not for the benefit of its stockholders, will represent the Postmaster General at your hearing and present the case on its merits, it may not be amiss for me to say that the main purpose of said schedule of rates as embodied in Bulletin No. 22 was to remove the many inconsistencies and irregularities which heretofore have existed in the toll schedules of telephone companies in many parts of the United States, and to treat the subject from a nation wide standpoint so that the rates for toll and long distance service between any two points in any part of the country would be exactly the same as between any two equidistant points in any other part of the country. The particular rates in this schedule in Bulletin No. 22, as well as the general basis of the structure, were the result of an exhaustive study covering several months by the committee on standardization of rates in this Department, and the general scheme represents, we believe, the best effort that has been devised to place this vital matter of the telephone toll service of the entire country on a unified and scientific basis.

Owing to the multitude of irregularities and inconsistencies heretofore obtaining in the toll schedules of the different companies, which grew up

[Mass.]

over a long period of years by reason of local conditions and the varying views of telephone officials, each of whom saw the proposition from the standpoint of his own particular company, it is obvious that any scheme of standardizing the rates from a nation wide standpoint must result in the lowering of rates in some places and the raising of rates in others, with the corresponding inevitable effect of increasing or diminishing the revenues in particular localities, but such effect on revenues was not the prime consideration for the schedule, and as a matter of fact the Postmaster General is not advised as to what may be the effect on the revenues of the New England company in Massachusetts.

It appeared to be the consensus of opinion of those best versed in telephone affairs that there should be a unification and standardization of telephone rates throughout the country, and that the first step in such a problem was the establishment of a unified and comprehensive schedule of rates for toll and long distance service, and the schedule in question embodies the effort to make the first step.

As in the view of the Postmaster General the prime purpose of this schedule is to place the toll service throughout the entire country on the same basis, and, inasmuch as the telephone using public in Massachusetts will pay thereunder for such service exactly the same rates as will the telephone using public in every other state of the Union for similar service, leaving no room for there being any question of discrimination against the telephone using public of Massachusetts, it would seem unfortunate that any attempt should be made at this time, in advance of actual experience of operations under this new schedule, to reach a conclusion by estimates and opinions as to what the actual effect would be on the revenues from such service in any particular state. For, it would seem obvious that no national, comprehensive scheme of rates could be made effective in any reasonable period of years, if investigations and tests as to probable revenue results, from the standpoint of different and various theories, must be made in each particular State of the Union, in advance of actual application of the scheme.

The Postmaster General will welcome any assistance which your Commission can give in testing the actual operation of the schedule and in securing data with respect thereto in order to determine later whether any modifications of said schedule should be made, as well as to have light for the further step in the problem; to wit, standardization of local or exchange rates. Of course, you will understand that by the standardization of local or exchange rates I do not mean to convey the impression that such rates for all places will be the same, but that the localities throughout the country will be classified according to the conditions prevailing in each, and then rates will be prescribed to fit the conditions of each class of locality.

Very truly yours,

(Signed) W. H. LAMAR,
Solicitor.

MICHIGAN.

Railroad Commission.

***In re* APPLICATION OF DANSVILLE TELEPHONE EXCHANGE FOR
AUTHORITY TO INCREASE RATES**

T-208.

Decided January 22, 1919.

**Increase in Rates Authorized — Increased Rates to be Effective Until
January 1, 1920.**

ORDER.

Application was filed in the above-entitled matter together with proof of a publication of a notice by Arthur Hedglen, owner of the Dansville exchange in Ingham County News, a newspaper of general circulation in the territory served by the telephone lines and facilities of said exchange, setting forth that it was the desire of the said Arthur Hedglen to increase the rates for exchange and switching service for the subscribers of the Dansville exchange, owned by applicant as before recited, and

An order of hearing in pursuance of such application having been fixed for December 4, 1918, at 10.00 A. M. at the office of the Commission in the city of Lansing, at which time applicant and counsel were present and the Dansville-Williamston Telephone Company, a joint venture and switching subscriber, was represented by *William F. Potter*.

The Commission having considered said application, the evidence presented in support thereof, and the representations of said William F. Potter for subscribing joint venture and others;

Now, therefore, by virtue of the authority vested in this Commission by law,

We do hereby authorize, Said Arthur Hedglen to publish and make effective as of January 1, 1919, the following

schedule of rentals, rates and charges for service furnished by said Arthur Hedglen at his Dansville exchange, viz.:

	<i>Per Annum</i>
Business exchange rate.....	\$15 00
Residence exchange rate.....	15 00
Exchange service rates are made payable quarterly in advance.	
Rural exchange switching rate.....	3 00
Payable annually in advance.	

such rates to be and continue in effect until January 1, 1920, only, the Commission hereby reserving jurisdiction in such matter to make a further adjustment of rates as of that date after a study of the experiences and operating data of such exchange for the year 1918 has been made.

It is hereby ordered, That said Arthur Hedglen shall on or before ten days after June 30 and December 31, 1919, make a written report, duly verified by affidavit, of the operating revenues and expenses of said Dansville exchange for the six months' periods ending June 30 and December 31, 1919, respectively, and shall also, in said report, make a statement of the number of discontinuances of subscribers' telephones and switching lines for the respective periods, if any, as a result of such increase in rates as well as a statement of all normal installations and discontinuances for such periods and the number of subscribers in each class served at the close of such periods.

Dated at Lansing, Michigan, January 22, 1919.

MINNESOTA.

Railroad and Warehouse Commission.

In re APPLICATION OF THE NORTHWESTERN TELEPHONE
EXCHANGE COMPANY TO INCREASE LOCAL EXCHANGE AND
TOLL RATES IN MINNESOTA.

Decided December 31, 1918.

Emergency Increase in Exchange and Toll Rates Denied — Bases for Emergency Increase, Considered.

Applicant sought authority to put into effect an emergency increase in exchange and toll rates throughout the State. The Commission found that since 1913 the company had had an average gross return of 9 per cent. upon the book value, $3\frac{1}{2}$ per cent. being set aside by the company for reserve for depreciation and 5 per cent. annual dividends being paid. The gross return for July, August and September, 1918, was 7.98 per cent. In five years the book value of the plant has increased \$11,000,000, or 50 per cent., and between 1916 and 1918 the increase was \$2,500,000. In 1916 gross earnings were 22.37 per cent. of plant value, while in 1918 they had fallen to 20.7 per cent. On July 1, 1918, an interchange of properties took place between the company and Tri-State Telephone and Telegraph Company, resulting in the elimination of competition and a slight increase in net earnings. The company alleged that if proposed wage increases were put into effect, the present net return would be reduced by about 2 per cent.

Held: That to justify an emergency increase the Commission would consider whether increased rates were necessary to cover operating expenses and fixed charges, to prevent a probable impairment of service and property, and destruction of credit, or to overcome inroads made by advanced operating costs or diminished patronage;

That for the purpose of the present emergency the Commission would use the company's book values;

That the increase in plant value might be caused by construction of facilities in anticipation of growth which was retarded by this country entering upon the war with Germany, or it might represent investments in facilities to provide for many years of development in the future, and, in the absence of information upon which to base a conclusion that all of the properties represented by the book value were now in service and essential for carrying on the business, the Commission could not say that the company was entitled to a return on the same;

That the company was not in such financial stringency but that it was financially able to give its employees such increases as were immediately necessary without raising rates, and the stockholders should stand such loss as the company might incur between the time of putting into effect the necessary wage increases and such time as the company could properly prepare and present to the Commission a full disclosure of its financial condition;

That a decline in the net return from an average of 9 per cent. during the past five years to 7.98 per cent. as shown during the three months in 1918, was insufficient to show that an emergency existed, and that the Commission should act without requiring the company to fully prove each item necessary in establishing their need for additional funds, and the application should be denied.

OPINION AND ORDER.

The above-entitled matter came on for hearing before this Commission, November 26 and 27 and December 2, 3 and 16, 1918, Commissioners Jacobson and Putnam sitting.

There appeared in behalf of The Northwestern Telephone Exchange Company, *Messrs. E. A. Prendergast and J. I. Dille*, as attorneys. There appeared in opposition thereto the following: *Mr. C. D. Gould*, city attorney, Minneapolis, Minn., *Mr. A. L. Sperry*, attorney, Minnesota League of Municipalities, Owatonna, Minn., *Mr. J. E. Samuelson*, city attorney, Duluth, Minn., and a large number of others, representing the various municipalities affected.

The company introduced through oral and statistical exhibits a large amount of testimony, which this Commission has duly considered. The representatives of the municipalities requested an extended adjournment for the purpose of preparing a defense to the case. Due to the fact that the application was made by the company on the plea that an emergency existed due to present abnormal conditions and it was necessary for the company to have additional funds in order to properly furnish telephone service — and the establishing of a rate to fully compensate the company was not in question — the Commission denied the application for adjournment.

The Northwestern Telephone Exchange Company is a

C. L. 87]

corporation organized under the laws of the State of Minnesota and operates extensive telephone properties within the State. More than 99 per cent. of its total capital stock is owned by the American Telephone and Telegraph Company, which is the parent company of what is generally known as the Bell System; The Northwestern Telephone Exchange Company being one of the operating companies of that system.

The various public utilities commissions of the several states have, during the past year, due to war conditions, granted emergency increases in telephone rates in order to enable the utilities to continue operation and to save them from financial difficulties. The bases upon which these commissions acted, and upon which this Commission believes it is a fair and reasonable basis to act in an emergency situation, is to consider whether or not the return of the telephone company falls within the following propositions:

1. Is an increase in the rates chargeable by the telephone company necessary to cover operating expenses and necessary fixed charges?
2. Is an increase in rates for the war period necessary to prevent a probable impairment of the service and property and the destruction of the credit of the enterprise?
3. Is an increase in rates necessary to overcome inroads made by advanced operating costs or diminished patronage and to allow to the utility an income no greater than that earned by the utility before the war?

In considering these particular phases of the condition of the utility, the Commission will bear in mind that corporations, as well as individuals, must bear their share of the burdens of the war and must sustain some loss of income without flinching. The petitioner introduced evidence in the form of exhibits, being a reproduction of the general accounts and balance sheets of the company. The company has no physical valuation of its properties, and for the purpose of the present emergency introduced their book

values, which the Commission will accept as evidence of the present values of the properties for the purpose of this case only.

According to the exhibits of the telephone company the net income for the purpose of return upon investments, including payment of interest charges and setting aside a depreciation reserve, since 1913, has been as follows:

	<i>Per Cent.</i>
1913.....	8.88
1914.....	8.38
1915.....	10.00
1916.....	10.10
1917.....	8.45
1918 (first six months).....	7.46
1918 (three months — July, August and September).....	7.98

or an average return since 1913 of 9 per cent. upon the book value of their properties.

During the period for which records were introduced the average depreciation reserve set up on the books of the company has been $3\frac{1}{2}$ per cent. The company has paid an annual dividend of 5 per cent. on the outstanding stock. A further analysis of the figures shows that within the State of Minnesota, during this period from 1913 to June 30, 1918, there has been an increase of the book plant value of more than \$11,000,000, or in other words, the plant value has increased more than 50 per cent. during the past five years. The company makes no showing as to what properties it has constructed or has assumed the operation of during said period, and has in no manner shown the physical development, nor did it attempt to make any showing as to its development other than the values placed upon the books of the company.

The exhibit does show that the gross earnings per dollar invested in plant have been materially reduced, as in the State of Minnesota in 1916 the gross earnings were 22.37 per cent. of the plant value, while in 1918 the gross earnings were only 20.7 per cent. of the total plant value. Between 1916 and 1918 the plant had increased within the State of

C. L. 87]

Minnesota more than \$2,500,000. This increase in plant value may be caused by construction of facilities in anticipation of growth which was retarded by this country entering upon the war with Germany, or it may represent investments in facilities to provide for many years of development in the future. The Commission has not the information before it upon which to predicate a conclusion that all of the properties represented by the book value of the company are now in service and are essential for the carrying on of the telephone business within the State of Minnesota and that the company is entitled to a return on the same.

On July 1, 1918, the competitive conditions existing within this State were eliminated by an interchange of a large number of properties between The Northwestern Telephone Exchange Company and the Tri-State Telephone and Telegraph Company. This interchange of properties was carried out subject to the approval of this Commission,* based upon representation that such a division of territory, and elimination of expensive competition, would tend to reduce the expense to the companies and aid them during the stress of war period. The first three months following this interchange or separation of properties, The Northwestern Telephone Exchange Company shows a slight increase in net earnings. It would hardly seem possible that an organization, such as The Northwestern Telephone Exchange Company, could perfect within the first few months its system of business so as to eliminate a great many expenses that might be eliminated after longer experience.

The application is also based upon the claim that the telephone company is experiencing great difficulty in the employment of labor, and that it is necessary to give the employees a substantial increase. The officers of the company testified upon the witness stand that the increases were essential. The putting into effect of the increases claimed to be necessary would reduce the present net return

* See Commission Leaflet No. 78, p. 1490.

of the company to a little less than 2 per cent., giving the company approximately a 6 per cent. net return for depreciation, interest on its indebtedness and a return upon the investment. Undoubtedly, this Commission, upon a proper showing, would authorize the company to earn a larger return than 6 per cent., but it is the belief of this Commission that the company is not in such financial stringency but that it is financially able to give their employees such increases as are immediately necessary. The stockholders should stand such loss as the company might incur between the time of putting into effect the necessary wage increases and such a time as the company could properly prepare and present to this Commission a full disclosure of its financial condition; then it would not be acting upon a hypothetical case and presumptions of future conditions, giving both the Commission and the representatives of the telephone subscribers a full opportunity to thoroughly investigate and ascertain to their satisfaction the reasonableness of the demands.

This Commission does not believe that a decline of a net return from an average of 9 per cent. during the past five years to 7.98 per cent., as shown during the three months (July, August and September, 1918), is sufficient to show that an emergency exists, and that the Commission should act without requiring the company to fully prove each item necessary in establishing their needs for additional funds.

The company has failed to show that its present net return does not meet operating expenses and necessary fixed charges; they have not shown that an increase in rates is necessary to prevent an impairment of service and a destruction of the credit of the enterprise, and they have not shown that the advanced operating costs or diminished patronage has reduced the net return or earnings of the utility to such an extent that they are entitled to additional revenue on an emergency showing, especially in consideration of the fact that corporations, as well as individuals, should to some extent bear the burden of reduced returns to stockholders during the present emergency.

C. L. 87]

Therefore, it is ordered, That the application of The Northwestern Telephone Exchange Company to increase its local exchange and toll rates in the State of Minnesota, is hereby denied.

Dated at St. Paul, Minnesota, this thirty-first day of December, 1918.

In re APPLICATION OF TRI-STATE TELEPHONE AND TELEGRAPH COMPANY FOR INCREASE IN RATES IN MINNESOTA.

Decided December 31, 1918.

Emergency Increase in Toll and Exchange Rates Denied — Bases for Emergency Increase Considered.

Applicant sought to put into effect an emergency increase in its exchange and toll rates throughout the State. The company had an average return for reserve for depreciation, interest, and return on investment, between 1913 and 1918, of 7.09 per cent., of 5.98 per cent. for the first six months of 1918 and 7.23 per cent. for July, August and September. The book value of the plant increased from \$8,000,000 in 1913 to \$10,800,000 in 1918, and on July 1, 1918, was \$12,900,000. The company alleged that proposed wage increases would reduce net earnings in the neighborhood of 2 or 3 per cent.

Held: That the bases for an emergency increase in rates, based upon what would be considered insufficient for a permanent rate increase, was found in a consideration of whether an increase was necessary to cover operating expenses and necessary fixed charges, to prevent a probable impairment of service and property, and destruction of credit, or to overcome advanced operating costs or diminished patronage;

That it was not necessary in an emergency case to have a detailed appraisal of the properties;

That as the Commission did not know whether the entire properties represented by the book values were being used for telephone service, and as increase in plant values might have been for properties not to be immediately used in the operation of the telephone plant, or for investments made anticipating development of business curtailed because of war conditions or in anticipation of many years' future developments, an increase in rates based on the investment reported would not be authorized;

That if an increase in wages was necessary, the company was in a position to make the increase and to stand the loss until such time as it

should show how the increase in wages was reflected in its operating revenues;

That the Commission would not allow the company a rate in excess of that which it enjoyed prior to the war period;

That as the Commission had before it the experience of the company for a period of three months only after the interchange of properties with The Northwestern Telephone Exchange Company, such period was not of sufficient length on which to predicate a rate case, and the company undoubtedly would be able to perfect further economies which would aid it in its so-called financial stringency;

That as the company had not shown that it needed an increase in rates in order to meet operating expenses, to prevent an impairment of service or destruction of properties or credit, or to overcome inroads made by advanced operating costs or diminishing patronage, the application should be denied.

OPINION AND ORDER.

The above-entitled matter came on for hearing before the Commission, at the State Capitol, St. Paul, Minnesota, December 4, 1918.

Appearances: for the Tri-State Telephone and Telegraph Company, *Messrs. Harlan P. Roberts and C. B. Randall*, attorneys; for the objectors, for Albert Lea, Minnesota, *Mr. John O. Peterson*, city attorney; for Austin, Minnesota, *Mr. J. N. Nicholson*, city attorney; for Owatonna, Minnesota, *Hon. Thos. E. Cashman* and *Mr. Louis Watowan*; for St. Paul, Minnesota, Commissioner *O. E. Keller*, corporation counsel *O. H. O'Neill*, *Mr. J. H. Beek* of the St. Paul Association of Public and Business Affairs; for Winona, Minnesota, *Mr. H. B. Watkins* of the Association of Commerce; for Red Wing, Minnesota, *Mr. D. M. Neil* of the Red Wing Telephone Company; for the Minnesota League of Municipalities, *Mr. A. L. Sperry*, attorney.

A number of days were taken in the introduction of evidence on the part of the telephone company, and a great deal of evidence was introduced. The Tri-State Telephone and Telegraph Company is a corporation owning and operating an extensive telephone system in the State of Minnesota.

The application was made as an emergency application, the telephone company claiming that they needed imme-

C. L. 87]

diated relief in order to carry on the business of the utility. Motions were made on behalf of the municipalities, and by representatives of the subscribers for an adjustment of sixty days in which to prepare to contest the matter. The Commission denied these motions on the ground that if any relief was granted the company must show that it needed immediate relief, and such adjournment would be inconsistent with the position of the Commission that it was hearing the matter as an emergency case.

Various utility commissions in the several states during the past year have authorized increases in rates to public utilities, based upon emergency demands. The bases of such increases in rates, based upon what would not be considered sufficient for a permanent rate increase, are founded upon certain specific questions: first, is an increase in the rates chargeable by the company necessary to cover operating expenses and necessary fixed charges; second, is an increase in rates necessary to prevent a probable impairment of the service and property, and destruction of the credit of the enterprise; third, is an increase in rates needed to overcome advanced operating costs, diminished patronage, and to allow the utility no greater income than that earned by the utility before the war.

These questions should be considered in view of the further fact that the corporations as well as individuals must bear their share of the burdens of the war and sustain some loss of income without flinching.

The company submitted a statement of its operating revenues and expenses for the period from January 1, 1913, to September 30, 1918. The net operating return for depreciation reserve, interest on indebtedness, and return on the property investment being as follows:

	<i>Per Cent.</i>
In 1913	8.73
In 1914	7.86
In 1915	8.05
In 1916	6.29
In 1917	5.63
In 1918 (based upon the first six months)	5.98

making an average net for the five-year period of 7.09 per cent. In considering this present case it must be borne in mind that on July 1, 1918, due to the interchange of certain properties between The Northwestern Telephone Exchange Company and the Tri-State Telephone and Telegraph Company, which interchange was done pursuant to an order* issued by this Commission, based upon representations by the telephone companies that the interchange in their properties, and the elimination of competitive conditions, would tend to lower operating costs and enable the companies to furnish telephone service more economically than they had under the competitive conditions, and by virtue of this interchange of property it is estimated that more than two-thirds of the property now operated by the Tri-State Telephone and Telegraph Company was the property of The Northwestern Telephone Exchange Company prior to July 1, 1918; that the experience of this company in operating this property is shown for a three months' period, being the months of July, August and September, 1918; that on the basis of this three months' period, the net return to the company for depreciation, interest and return on investment for the last of these three months was 7.23 per cent., being higher than the company had received at any time since 1915, and being greater than the average per cent. during the past five years and only 1.52 per cent. less than the largest return received by the company during the past five years.

The plant of the company from 1913 to June 30, 1918, increased from practically \$8,000,000 in 1913 to \$10,800,000 in 1918. There is no evidence in the case showing the property purchased during this period by the increased investment, or the additional property operated. By the transfer on July 1, 1918, the plant value of the property is increased to \$12,900,000. The only evidence of the value of the properties of the telephone company placed in evidence in this case are the book values. The Commission did not deem it necessary for an emergency case to have a detailed

* See Commission Leaflet No. 78, p. 1490.

C. L. 87]

appraisal of the properties of the telephone company, but the company has failed to show the properties operated, or to show any reason for the increase in the investment. The Commission is not informed whether the entire properties represented by the book values are being used for telephone service; the Commission is not informed whether or not the \$2,800,000 increase in plant between the years 1913 and June 30, 1918, was invested in properties which were to be immediately used in the operation of the telephone plant, or whether this was investment made anticipating development of business which was curtailed because of war conditions, or in anticipation of many years' future development.

Before the Commission could authorize an increase in rates on such investment it would appear that it should be advised as to what constitutes the property procured by these additional investments.

The company also contends that because of present labor conditions and the demand of the employees for increases in their wage schedules that it was essential that the company have additional funds before putting into effect the new wage scales. The proposed wage scale would mean a reduction of the net earnings of the company in the neighborhood of two to three per cent. The continuation of such an increased expense over an extended period of time, without an increase in revenue, might affect the financial standing of the company, but the Commission believes that if the increase in wages was necessary that the company was in a position to make the increase; to stand a loss until such time as the company could show this Commission how the increase in wages was reflected in their operating statement. Then this Commission would not be acting upon a hypothetical case and presumptions of future conditions.

This Commission does not feel that in a case of this sort that it would be justified in allowing the telephone company a rate upon its property in excess of that which it enjoyed prior to the war period. The company prior to July 1, 1918, was operating under very strenuous competi-

tive conditions which necessitated considerable expense to meet competition. In a number of instances there are abnormally low rates, especially as compared with non-competing points. Also, under the competitive conditions the company was constantly in danger of being driven out of business because of competition.

Since July 1, 1918, the earnings of the company have shown a marked increase, which is attributed by the officers of the company to the savings and economies that they found possible because of the elimination of competition. The Commission has before it the experience of the company for a period of three months only. It would appear to this Commission that a three months' period is not a sufficient length of time on which to predicate a rate case, and that undoubtedly the company will be able to perfect further economies which will aid them in their so-called financial stringency.

The Commission finds that the company has not shown that it needs an increase in rates in order to meet its operating expenses. The company has not shown it needs an increase in rates to prevent an impairment of its service or destruction of its properties or of the credit of the enterprise; that it does not need an increase in rates to overcome inroads made by advanced operating costs or diminishing patronage and to allow an income no greater than that earned by the utility before the war.

Therefore, it is ordered, That the application of the Tri-State Telephone and Telegraph Company for an increase in its toll and exchange rates in the State of Minnesota is hereby denied.

Dated at St. Paul, Minnesota, this thirty-first day of December, 1918.

MISSOURI.

Public Service Commission.

In re APPLICATION OF ASH GROVE TELEPHONE COMPANY TO INCREASE RATES AT ASH GROVE.

Case No. 1728.

Decided December 21, 1918.

Increase in Business, Residence and Rural Rates Authorized — Value Based on Purchase Price and Higher Valuation by Expert Disregarded — Sale Price Considered not Conclusive — Influence of Unremunerative Rates on Sale Value Considered — Allowance of 6 Per Cent. Made for Reserve for Depreciation — Allowance of 7 Per Cent. Made for Rate of Return — \$4.00 Switching Rate Considered Not Unreasonably High.

Applicant, operating an exchange at Ash Grove serving 588 stations, sought authority to increase business and residence rates 50 cents per month, and rural rates 16 $\frac{2}{3}$ to 75 cents per month for different classes.

Applicant bought the property September 1, 1918, for \$12,500, and his vendor, who had also filed an application to increase rates approximately 15 cents to 40 cents per month on different classes of service, had bought it on January 1, 1918, for \$10,000. The vendor, in an affidavit on June 24, 1918, valued the plant at \$12,000. Applicant's petition fixed the value at not less than \$18,000, and the property had been assessed for taxation as worth \$11,100. The valuation by an expert telephone engineer gave the reproduction cost new at \$37,218.11, and depreciated present value at \$28,327, including \$3,344 as cost of establishing the business and \$437 for working capital. He estimated the property was in 73.49 per cent. condition and fixed 9 per cent. for reserve for depreciation; he also estimated that, using 7 per cent. for reserve for depreciation and 7 per cent. for return, the proposed rates would produce an annual deficit of \$120.16.

The Commission found that under present rates there was a deficit of \$339.84 for the year, not including anything for a return or reserve for depreciation, and that an increase of 50 cents per month for business telephones, 15 cents to 25 cents for residence telephones, and the increase requested by applicant's vendor for rural lines, would yield a net revenue of \$1,621.28.

Held: That although the purchase price was not controlling in fixing a value upon a utility, the great discrepancy between the valuation of applicant's engineer and the purchase price in two recent sales, and declared values by successive owners, was so great as to convince the Commission that something was seriously wrong with claims of value, and that the engineer's valuation was too high or that the exchange was improvidently built;

That the rates now charged were not so low in comparison with those of similar exchanges as to justify applicant's claim that the market value, which had regulated the sale prices, had been reduced so greatly because of "false and bankrupting" rates;

That applicant could not be seriously injured if rates were allowed to take care of operating expenses and make reasonable provision for depreciation and return upon the money he actually had invested in the exchange, especially in present times when every person and business concern was fortunate to find even a measure of relief from conditions produced by the war;

That in view of the grave doubt upon the accuracy of the engineer's report, the Commission would not undertake to fix a valuation upon the *ex parte* testimony in this case, and would use \$12,500 as the figure in calculating reasonable and just rates;

That applicant was clearly entitled to 6 per cent. for reserve for depreciation and 7 per cent. for return on investment;

That as the present rates were too low to earn operating expenses, reserve for depreciation, and return even on a \$12,000 value, and as applicant was entitled to earn a net revenue of \$1,625 per year, such rates should be authorized as would yield an expected net revenue of \$1,621.28;

That the rates proposed for rural service were reasonable and in line with rates for similar service charged by other telephone companies;

That the present switching rate of \$1.50 was entirely inadequate, and the proposed rate of \$4.00 per annum was not an unreasonably high rate for such service.

REPORT.

The telephone exchange of the Ash Grove Telephone Company, herein called applicant, is owned and operated by W. P. Misemer, the same having been purchased by him from J. A. Davenport on September 1, 1918. Before that sale applicant had filed its P. S. C. Mo. No. 2, canceling Original P. S. C. Mo. No. 1, the same being a schedule of increased rates proposed to be charged on and after September 1, 1918. On September 17, 1918, W. P. Misemer, then owner, filed a petition, accompanied by a rate sheet,

C. L. 87]

asking greater increases than those provided for in applicant's said P. S. C. Mo. No. 2. The following is a comparison between present monthly rates and those asked by Mr. Davenport in the schedule designated as P. S. C. Mo. No. 2, and herein referred to as Davenport schedule, and those asked by Mr. Misemer, and herein referred to as Misemer schedule.

Classification	Rates		
	Present	Davenport	Misemer
Business:			
Direct line	\$1 50	\$1 75	\$2 00
Extension sets	75	75	1 00
Residence:			
Direct line	1 00	1 15	1 50
Four-party line	75	90	1 25
Extension sets	75	none	1 00
Desk set equipment		none	25
Rural:			
Class A, by lines		33½	50
Class B	50	90	1 25
Class C	none	none	1 00
Class C	33½	75	1 00

On August 31, 1918, a protest against the Davenport schedule was signed by about 180 persons as rural subscribers, stating that the proposed rates were too high, but expressing a willingness to pay certain increased rates therein specified if the Commission found same to be justified. The Misemer rate sheet was not filed as a separate rate schedule. The rates therein specified are considerably higher than the Davenport schedule and doubtless are more objectionable to those subscribers protesting against the Davenport schedule. On August 28, 1918, the Commission suspended said schedule P. S. C. Mo. No. 2 for a period of one hundred twenty days ending December 29, 1918. A hearing was held by one of the Commissioners in the city of Springfield, on September 25, 1918. Applicant was there represented by *Mr. Davenport* and *Fred O. Small* appeared

as attorney for protesting rural subscribers. No protest was filed by the city subscribers, nor were they represented at the hearing. The case was submitted to the Commission on the evidence introduced at said hearing.

THE FACTS.

Ash Grove is a city of about 1,000 population, the 1910 census figure being 1,075. Applicant owns a Western Electric magneto switchboard. The city lines are described as "half metallic," as the lines have a common return copper wire instead of using the earth as one side of the circuit. The rural lines are grounded. All lines are iron wire, except the return wires. The plant is all aerial construction with some cable. Accompanying the Davenport schedule there was filed with the Commission a statement of monthly revenues derived from present rates and estimated monthly revenues from proposed rates, as follows:

Num- ber	Classification	Present		Proposed	
		Rate	Revenue	Rate	Revenue
Business:					
38	Direct line	\$1 50	\$57 00	\$1 75	\$66 50
3	Extension	75	2 25	75	2 25
Residence:					
104	Direct line	1 00	104 00	1 15	119 60
42	Four-party	75	31 50	90	37 80
3	Extension	50	1 50	50	1 50
Rural:					
74	Class A (switching)...	12½	9 25	33¾	*24 66
206	Class B.....	50	103 00	90	†188 10
118	Class D	33¾	39 33	75	88 50
		<hr/>	<hr/>	<hr/>	<hr/>
588		.....	\$347 83	.....	\$528 91

* The figure in statement was erroneously given \$24.76.

† This total was apparently based on 209 stations.

To each of above should be added toll monthly commissions \$45.00, non-subscribers' tolls \$2.40, miscellaneous revenue \$10.00. The present and estimated monthly revenues, therefore, are \$405.23 and \$586.31, respectively,

C. L. 87]

or present and estimated annual revenues \$4,862.76 and \$7,035.72, respectively. Certain obvious errors have been adjusted in arriving at these figures.

In the Davenport statement the present actual monthly operating expenses, including taxes based on April, 1918, expenses, are given \$433.55, and the estimated monthly operating expenses are given \$459.47. The increased expenses estimated are \$12.00 for manager, bringing that item to \$110, \$7.50 for operators, or a total of \$75.00, \$5.00 for troubleman, or a total of \$75.00, an estimate of \$150 for maintenance, being an increase over April, 1918, of \$8.02, and a reduction in item Other Expense from \$18.60 to \$10.00. On this basis the present and estimated annual expenses amount to \$5,202.60 and \$5,513.64, respectively. Comparing present and estimated annual revenues with present and estimated operating expenses as shown by Davenport's statement, we find a deficit for the year of \$339.84 under present rates and expenses, and a net annual revenue of \$1,522.08 under proposed rates and estimated expenses. These figures do not take into consideration return on capital invested or reserve for depreciation.

Applicant filed an exhibit at the hearing marked as Exhibit 3, and prepared by H. P. Topping, a valuation engineer of training and experience, showing that the expected annual operating revenue under the Misemer schedule of rates would be \$8,529. Mr. Topping added toll revenues of \$568, making a gross annual revenue of \$9,067.80. Mr. Topping used the figure \$5,252.17 as the annual expense. It does not appear where this figure was obtained, except that it was furnished by applicant. That figure is no doubt comparable with the present expenses shown by the Davenport statement of \$5,202.60, and the difference may be accounted for by the possible use of a somewhat different period of time. Mr. Topping thereby shows an estimated net revenue, exclusive of depreciation and return, of \$3,845.63.

Mr. Topping made an inventory and appraisal of applicant's exchange at Ash Grove, including the property

devoted to the rural lines, as of date September 15, 1918, using pre-war prices, and fixed the value of the physical plant on reproduction cost new [basis] at \$33,437; and depreciated present value \$24,546. He found the property in 73.49 per cent. condition. He added \$3,344 as cost of establishing the business and \$437 for working capital, thereby finding a value for rate-making purposes in the sum of \$28,327. He fixed the rate of depreciation at 9 per cent., and applying this rate to the reproduction cost of the physical property, \$33,437, he found the annual reserve for depreciation should be \$3,027. In Exhibit 3 he used 7 per cent. for depreciation and 7 per cent. for return and applied this to the value for rate-making purposes of \$28,327, and found thereby an annual deficit under the Misemer schedule in the sum of \$120.16.

In striking contrast to the Topping valuation is the testimony showing that Davenport bought the entire property January 1, 1918, for \$10,000, and sold it to Misemer September 1, 1918, for \$12,500. In a letter addressed to the Commission under date of October 9, 1918, Mr. Misemer advised the Commission that the former owner sold the plant to Davenport for

“\$500, an old automobile and a note for the balance.”

This evidently made up the \$10,000 consideration paid by Davenport. On June 24, 1918, Davenport made an affidavit to data submitted to the Commission, in which he fixed the value of the plant at \$12,000. On September 17, 1918, Mr. Misemer filed his petition, in which he fixed the value of the exchange at not less than \$18,000.

It is also interesting to note from the Journal of the State Board of Equalization for 1917 and 1918 that the entire value of the property of applicant in Dade, Greene and Lawrence Counties, as assessed by the State Tax Commission and adjusted and equalized for taxation purposes by the State Board of Equalization, was \$4,440 each year. If the property was assessed at 40 per cent. of its value, it must have been regarded by the Board as worth \$11,100.

C. L. 87]

All the rates under suspension were based on a \$12,000 valuation. Mr. Topping found reproduction cost new of the plant in the sum of \$37,218.11. No valuation of the property has been made by the engineers of the Commission. In his letter of October 9, 1918, Mr. Misemer told the Commission

"this exchange was very unprofitable, and accordingly the first cost or investment of \$37,218.11 (Topping reproduction figure) depreciated like bad money, and every one who has owned the exchange has been only too glad to turn to some innocent purchaser, who in turn has always been already and waiting to turn it again to the innocent."

He said this was because the business was based on false and bankrupting rates. There is no evidence that the exchange ever cost anyone anything like \$37,218.11. While the present rates are not high rates, there are numerous telephone exchanges in the State in cities comparable to Ash Grove which have enjoyed prosperity in ordinary times on rates no higher.

CONCLUSION.

It is quite clear that the present rates are too low to earn operating expenses, depreciation and return even on the \$12,000 value fixed by Davenport. It is also true that the purchase price is not controlling in fixing a value upon a utility, but the great discrepancy between the valuation of applicant's engineer and the purchase price in two recent sales of the plant and declared values by successive owners is so great as to leave in our minds the conviction that there is something seriously wrong with claims of value in this case, and that either the engineer's valuation is too high or the exchange was improvidently built. The rates now charged are not so low in comparison with those of similar exchanges to justify the claim that the plant value has been reduced so greatly by "false and bankrupting" rates. The experts of the Commission are not available for an independent valuation of this exchange, on account of the great mass of other work now demanding their attention. Applicant cannot be seriously injured if such rates are allowed as will take care of operating expenses and make

reasonable provision for depreciation and return upon the money he actually has invested in the exchange, especially in times like these when every person and business concern is fortunate to find even a measure of relief from conditions produced by the war. The Commission will not undertake to fix a valuation upon the *ex parte* testimony in this case, especially since such grave doubt is thrown upon the accuracy of the engineer's report by all the other testimony in the case and letters and records to which reference has been made. Without fixing \$12,500 as the actual value of applicant's exchange, in the absence of satisfactory proof of greater value, we will use that figure in calculating reasonable and just rates.

The annual revenues expected from the rates named in the Davenport schedule are \$7,035.72. Applicant is clearly entitled to 6 per cent. for depreciation reserve and 7 per cent. for return investment. Applicant is therefore entitled to earn a net revenue of \$1,625 per year. Accepting Davenport's statement of estimated annual expenses of \$5,513.64, leaves a net return of \$1,522.08 under the rates he has named. These rates are reasonable in our judgment, except that they will not provide sufficient revenue to provide for the item of keeping in repair company owned instruments, furnishing batteries for same as suggested by Mr. Misemer at the hearing. The Commission will approve a charge of \$2.00 per month for direct line business telephones, and \$1.25 per month for direct line residence telephones, and \$1.00 per month for four-party line residence telephones. These increases over the Davenport schedule should provide additional annual revenues as follows: business direct line \$114; residence direct line \$124.80; residence four-party line \$50.40; or a total of \$289.20. This sum added to the expected revenue under the Davenport schedule should earn total annual revenues in the sum of \$7,334.92, or a net annual revenue of \$1,821.28. The telephone engineer of the Commission has calculated for us that the additional batteries to be furnished by applicant and keeping same in repair should not cost to exceed

C. L. 87]

\$200 per annum. Reducing the net revenue of \$1,821.28 by this amount leaves \$1,621.28, as the expected net annual revenue applicable to depreciation and return. The Commission will approve a schedule of rates in conformity to the findings herein set forth, that is to say the rates named in the Davenport schedule, with the modifications on direct business and residence lines and four-party residence lines above suggested.

The rates proposed in the Davenport schedule for rural line service appear to be reasonable and in line with rates for similar service charged by other telephone companies in the State rendering similar service. The present switching rates of applicant are entirely inadequate. The Davenport rate of \$4.00 per annum is not an unreasonably high rate for this class of service. Many exchanges in this State have a higher rate for this class of service.

An order will issue accordingly.

ORDER.

This case being at issue upon the order of the Commission suspending Ash Grove Telephone Company's P. S. C. Mo. No. 2, canceling its Original P. S. C. Mo. No. 1, the same being a schedule of proposed rates and charges for said company's exchange at Ash Grove, Missouri, and a public hearing and investigation of the matters and things therein at issue having been had by the Commission, and the Commission on the date hereof having made and filed its report herein, which report is hereby referred to and made a part hereof, and the Commission being fully advised in the premises;

Now, after due deliberation,

It is ordered, 1. That the Commission finds that the present rates and charges of the Ash Grove Telephone Company for telephone service at its exchange at Ash Grove, Missouri, are unreasonably low and unjust; that the rates provided for in said company's P. S. C. Mo. No. 2 are not sufficiently high for certain classes of service and are unreasonably low and unjust; that the rates provided for

in the schedule known as Misemer schedule are unreasonably high and unjust.

Ordered, 2. That said Ash Grove Telephone Company on or before the effective date of this order cancel and withdraw said P. S. C. Mo. No. 2 and said schedule referred to as Misemer schedule.

Ordered, 3. That said Ash Grove Telephone Company be permitted to file a new schedule of rates and charges for telephone service at Ash Grove, Missouri, effective on short notice, naming a rate of \$2.00 per month for direct line business telephones, \$1.25 per month for direct line residence telephones, and \$1.00 per month for four-party line telephones, and to provide in said schedule that all batteries in telephones owned by said company shall be furnished by said company and such instruments kept in repair by said company. That all other rates for business, residence and rural telephone service conform to the rates named in said P. S. C. Mo. No. 2.

Ordered, 4. That this order shall be in full force and effect on and after January 1, 1919.

Ordered, 5. That any and all increases of rates herein authorized to be provided for in the schedule aforesaid to be hereafter filed shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates shall cease without further notice, and the rates and charges of said Ash Grove Telephone Company shall then be reduced and restored by it to the rates now on file and charged by it; *provided*, that the Commission may hereafter, by further order, continue such increase in rates and charges for another and further period or otherwise change or modify such rates and charges, either upon the evidence before the Commission or upon evidence to be hereafter submitted, and for the purpose of making such changes in said rates the Commission hereby fully retains jurisdiction of this case.

Ordered, 6. That said Ash Grove Telephone Company be required to keep a full and accurate account of the revenues

C. L. 87]

and expenses of its said exchange and file a full and complete report thereof with the Commission at the expiration of said period of one year above provided for, which report shall be in addition to any other reports required by law.

Ordered, 7. That the secretary of the Commission shall forthwith serve a certified copy of the report and order in this case on Ash Grove Telephone Company, Fred O. Small of Ash Grove, Missouri, and upon Hon. A. S. Burleson, Postmaster General, Washington, D. C., and that said Ash Grove Telephone Company on or before the effective date hereof shall notify the Commission in the manner provided in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

December 21, 1918.

In re SUSPENSION OF RATES OF THE SOUTHWESTERN BELL
TELEPHONE COMPANY'S EXCHANGE AT KIRKSVILLE, MISSOURI.

No. 1453.

Decided January 14, 1919.

**Increase in Rates Authorized — Combination Business and Residence
Rate Eliminated — Allowance of 25 Per Cent. to Local Exchange on
Toll Messages, Approved — Company's Valuation Adopted —
Allowance for Cost of Establishing Business not Made —
Allowance of 13.6 Per Cent. for Reserve for Depreciation and Rate of Return, Approved.**

Applicant, which operates a common battery metallic plant serving 1309 subscribers in Kirksville, filed a schedule increasing business rates from \$18.00 and \$24.00 per year to \$36.00 per year, extension sets from \$3.00 to \$6.00 and \$12.00 per year, independent residence from \$18.00 to \$21.00 per year, and other rates, except rural, in proportion. The rates had not been increased since 1905. The company's engineer reported the cost new less depreciation value at \$101,038.89, including working capital, and also added \$22,180.40 for cost of establishing business. The Commission found that the company earned, in 1918, 9 per cent. for reserve for depreciation and return, and that the proposed rates would increase revenues \$5,769, and give the company \$13,811.60, or 13.6 per cent. for reserve for depreciation and return.

Held: That the proposed schedule of rates should be authorized to go into effect for a period of one year;

That the combination business and residence rate of \$36.00 per year should be omitted from the proposed schedule, as the Commission had repeatedly ruled that this character of combination rate was unfair and discriminatory;

That while there might be some merit in protestant's contention that the company should receive a greater percentage on toll messages originating at its exchange than 25 per cent., such amount was usually allowed by most of the toll line companies throughout the United States, and while the Commission did not at this time desire to enter into an investigation or rule upon the justice of it, it would be accepted in this case;

That the valuation submitted, less working capital, of \$97,866.91, was an investment of \$70.00 per subscriber, which was a fair average for a plant of this character;

That the Commission in the present instance did not care to pass upon the allowance of the cost of establishing the business, as the acceptance or rejection would have no material bearing upon the decision, and the Commission would, therefore, tentatively adopt the amount of \$101,038.89 as the value of the plant, thus omitting the item for cost of establishing business.

REPORT.

The Southwestern Bell Telephone Company on December 24, 1917, filed with the Commission a new rate sheet for exchange and rural service for their exchange at Kirksville, Missouri, known as P. S. C. Mo. No. 4, Second Revised Sheet No. 27, effective February 1, 1918, superseding P. S. C. Mo. No. 4, First Revised Sheet No. 27; also a statement showing their receipts and expenditures, a valuation of the exchange plant, increase asked, etc., [and] copies of notice to the subscribers and the public as printed in the local newspapers.

A number of protests against the granting of the increase as asked was received by the Commission from the subscribers and business men of Kirksville, Missouri. On January 30, 1918, the Commission issued an order suspending the effective date of the schedule for a period of one hundred and twenty days, from February 1, 1918, to and including May 31, 1918, pending a hearing and decision upon the reasonableness of said rates. On May 18, 1918, it issued its Supplement Order No. 1 further suspending the effective

C. L. 87]

date for a period of ninety days, from May 31, 1918, to and including August 29, 1918, and the effective date has been further suspended by stipulation filed on the part of the applicant.

A hearing was held by a member of the Commission at Kirksville, Missouri, on June 19, 1918, and testimony introduced, and on November 18, 1918, a further hearing was held at Kirksville. The telephone company as well as the protestants were represented by counsel at both hearings and the following facts were presented.

Kirksville is the county seat of Adair County and has a population of about 6,347. The Bell Telephone Company in 1905 purchased the telephone exchange from the former owners and rebuilt the plant, [and] installed a common battery, or central energy system, changing from a grounded to a metallic system. In 1911 the outside plant was to a great extent destroyed by a sleet storm, and when rebuilt was finished with new, modern construction of the latest type. The rates as charged for service are the same as charged in 1905. The present and proposed rates, with number of subscribers under each class of service as of September 30, 1917, the date of the taking of the inventory, are as follows:

<i>Class of Service</i>	<i>Present Stations</i>	<i>Annual Rate</i>
Business:		
Independent line, wall or desk (was combination rate)	185	\$18 00
Independent line, wall or desk.....	123	24 00
Extension set	61	3 00
Intercommunicating System:		
Stations		15 00
Trunks		48 00
Switchboards		24 00
Private Branch Exchanges:		
Stations		12 00
Trunks		36 00
Rural		18 00

Residence:

Independent line, wall or desk.....	834	\$18 00
Two-party line, wall or desk.....	10	15 00
Extension set	88	3 00

Intercommunicating System:

Stations		12 00
Trunks		36 00
Rural		18 00
Miscellaneous		
Total owned	1,309	
Service stations	55	
Service stations	333	3 00

Proposed

<i>Class of Service</i>	<i>Stations</i>	<i>Annual Rate</i>
Business:		
Independent line, wall or desk.....	275	36 00
Extension set	50	12 00
Intercommunicating System:		
Stations		15 00
Trunks		72 00
Switchboards		24 00
Private Branch Exchanges:		
Stations		12 00
Trunks		54 00
Rural		18 00
Residence:		
Independent line, wall or desk.....	800	21 00
Two-party line, wall or desk.....		
Extension set	60	6 00
Intercommunicating System:		
Stations		12 00
Trunks		42 00
Rural		18 00
Miscellaneous		
Total owned	1,193	
Service stations	55	
Service stations	333	3 00

The combination business and residence rate of \$36.00 per year, and of which applicant has 185 patrons in its Kirks-

C. L. 87]

ville exchange, has been omitted from the proposed schedule. This Commission has repeatedly ruled that this character of combination rates is unfair and discriminatory and will not be approved by the Commission.

The total amount of revenue collected in twelve months ending September 30, 1917, was \$25,195.11; the increase as asked per annum amounts to \$5,769, making a total of \$30,964.11, including an item of \$2,350 percentage allowed for charges on toll messages originating at this exchange. The protestants objected to this latter amount and claimed the exchange was entitled to a greater rate of return than 25 per cent., and while there may be some merit in their contention, we know that is the usual amount allowed by most of the toll line companies throughout the United States, and while we do not at this time desire to enter into an investigation, or rule upon the justice of it, we will accept it in this cause.

The testimony of the engineer for the telephone company, who made a complete inventory and appraisal of the Kirksville plant, places a value of \$97,866.91 as cost new less depreciation on the entire plant, and also allows \$3,171.98 working capital, or a total of \$101,038.89 as the property value. They also claim an item of \$22,180.40 as cost of establishing the business, and fix \$123,219.29 as the proper amount on which they should receive a return; this by using a cost unit for labor based upon pre-war prices, and materials upon an average cost of pre-war and present day prices, and that they would be possibly 20 per cent. higher than all pre-war prices.

No inventory has been made by the engineer of the Commission, but a comparison as made between these figures and that of other cost units of appraisals of plants similar to Kirksville by the Commission's engineer shows them to be slightly above cost as used by him in appraisals of similar size plants, he using all pre-war prices.

There are 1,309 subscribers in Kirksville receiving service on company-owned lines, and the valuation of \$97,866.91 would allow an investment of \$70.00 per subscriber, which is

a fair average for a common battery, metallic plant of this character.

We do not care to in the present instance pass upon the allowing of the cost of establishing the business. The acceptance or rejection would have no material bearing upon the decision in this case. We will, therefore, tentatively adopt the amount of \$101,038.89 as the value of the plant for rate-making purposes, and thus omit the item of cost of establishing the business.

The telephone company's exhibit shows the gross revenue received for the twelve months from all sources to be

Gross revenue	\$25,195 11
Annual increase as asked.....	5,769 00
<hr/>	
Making a total sum of.....	\$30,964 11
Total cost of conducting the exchange.....	17,811 50
<hr/>	
Leaving for depreciation and return.....	*\$13,811 60
or 13.6 per cent.	

They also filed a statement or exhibit showing comparison of revenues and expenses between the years 1917 and 1918, which shows a net decrease of \$33.26 in the receipts and an increase of \$4,423.53 in expenses, or a net loss of \$4,456.79 in the return, which would make a net return of \$9,354.81, or 9 per cent. available for depreciation reserve and return on the investment for the year 1918, and which amount is not an unreasonably high rate. The increased cost for running the business during the year 1918, as compared with 1917, was occasioned by increases in salaries paid employees, and higher prices for materials, and while the material prices may be reduced, this Commission can, if it so proves at that time, consider the question of again adjusting rates for service.

The protestants have asked that we investigate and consider in our deliberations the rate of return as made by the Bell Telephone Company owning this property, to their stockholders. We have done so and find as follows:

*An error is apparent.

C. L. 87]

In 1906, the telephone exchange at Kirksville, Missouri, was purchased by the Missouri and Kansas Telephone Company, which company operated the same until January 1, 1917, when a consolidation with the Southwestern Bell Telephone Company was made.

The Missouri and Kansas Telephone Company made a dividend of 6 per cent. in 1905, 4½ per cent. in 1906, and none since that date. The Southwestern Bell Telephone Company paid a 5 per cent. dividend in the year 1917.

After considering the cause in all its particulars, we find the Kirksville exchange at the present rates charged for service to be providing an insufficient revenue necessary for the furnishing of a depreciation reserve and to pay a fair return upon the amount invested. The rates as asked for are well balanced, compare favorably with those charged for service at other exchanges of like size, as shown by the records in our office, and which are as follows:

	<i>Popula- tion</i>	<i>Number Subscribers</i>	<i>Rate</i>		<i>Business Extension</i>
			<i>Business</i>	<i>Residence</i>	
Kirksville	6,347	1,309	\$3 00	\$1 75	\$1 00
De Soto	4,721	426	2 50	1 75	1 00
Excelsior Sps.	3,900	.....	3 00	1 50	1 00
Kirkwood	4,171	782	3 00	2 00	1 00
Louisiana	4,454	737	3 00	1 75	1 00
Liberty	2,980	.....	3 00	1 75	.....
Maryville	4,762	935	3 00	1 50	75
Moberly	10,923	1,947	3 00	1 75	1 00
Poplar Bluff..	6,916	1,043	3 00	1 50	75
Webb City....	11,817	1,455	3 00	2 00	1 00
Webster Groves	7,080	1,790	3 00	2 00	1 00

We find that the rates as filed are reasonable and will not produce an unreasonably high rate of return; that they are just and should be allowed. However, by reason of the fact that the Commission has made no final, fixed valuation of applicant's property at Kirksville, the conclusions herein reached are to be construed as fixing rates for a period of one year only. The Commission will hold continuing jurisdiction of this cause, as recited in accompanying order

hereto, for the purpose of making any future adjustments thereof as the conditions of the future may justify.

An order will issue agreeable to these conclusions.

ORDER.

The Commission on January 30, 1918, having suspended the schedule of rates, charges and regulations of the Southwestern Bell Telephone Company for its exchange at Kirksville, Missouri, said schedule being known as P. S. C. Mo. No. 4, Second Revised Sheet No. 27, effective February 1, 1918, canceling P. S. C. Mo. No. 4, First Revised Sheet No. 27, containing rates and charges thereafter to be charged by said company at its exchange at Kirksville, Missouri, said suspension being for a period of one hundred and twenty days to and including May 31, 1918, a supplemental order was issued by the Commission on May 18, 1918, providing for a further suspension for a period of ninety days, to and including August 29, 1918. A stipulation was later filed further suspending the rates.

After full consideration of all the evidence submitted at hearing held in Kirksville on November 18, 1918, and the Commission having this day made and filed its report herein containing its findings of fact and conclusions thereon, which report is hereafter referred to and made a part hereof, and after due deliberation,

It is, by the Commission, ordered, 1. That the Commission finds that the rates, charges and regulations provided for in said proposed schedule of the Southwestern Bell Telephone Company, in the Kirksville exchange, being its P. S. C. Mo. No. 4, Second Revised Sheet No. 27, canceling P. S. C. Mo. No. 4, First Revised Sheet No. 27, are reasonable and just, and shall be allowed to become effective on February 1, 1919.

Ordered, 2. That any and all increase of rates herein authorized or permitted shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates shall, without further order, cease and the rates of said company shall then be reduced and restored by said company to the rates now on file or charged by it; provided,

C. L. 87]

that the Commission may hereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 3. That the said company be required to keep a full and accurate account of the revenue and expenses of its exchange and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject-matter of this cause to continue, change or modify the rates of said company upon the expiration of said period of one year after the effective date of this order, or at any other time, upon the evidence and facts now before the Commission, together with such other evidence as the company or any interested party may offer.

Ordered, 4. That this order shall take effect on February 1, 1919, and that the secretary of the Commission shall forthwith serve upon the parties hereto a certified copy of this order, and that the company shall on or before the twenty-fifth day of January, 1919, notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

January 14, 1919.

In re SUSPENSION OF TOLL RATES OF SOUTHWESTERN BELL
TELEPHONE COMPANY FOR THE STATE OF MISSOURI.
(FEDERAL ORDER NO. 2495.)

No. 1924.

Decided January 21, 1919.

**Toll Rates and Toll Classifications Authorized by Postmaster General in
Order No. 2495, Suspended Pending a Hearing**

ORDER.

It appearing that the Southwestern Bell Telephone Company has filed with the Commission its P. S. C. Mo. No. 18,

No. 19, and No. 20, canceling P. S. C. Mo. Nos. 12, 13 and 14 respectively, containing toll rates in accordance with Telegraph and Telephone Bulletin No. 22 (Order No. 2495), issued by the United States Telegraph and Telephone Administration under date of December 13, 1918, the same containing certain changes in rates, and,

It further appearing to the Commission that the rights and interest of the public appear to be affected by said changes in the schedule, and that said schedule provides increases and changes in rates to become effective in less than thirty days after notice thereof to the Commission, contrary to the provisions of Section 88, and other sections of the Public Service Commission Act, and it now being the opinion of the Commission that the effective date of said proposed rates, charges and regulations contained in said Southwestern Bell Telephone Company's P. S. C. Mo. Nos. 18, 19, and 20 be postponed, pending a hearing and decision upon the reasonableness and lawfulness of said rates, charges and regulations,

It is ordered, 1. That the Commission upon its own initiative, under and by virtue of the authority conferred upon it by Section 94 of the Public Service Commission Law, enter upon a hearing concerning the propriety and lawfulness of the proposed rates, charges and regulations contained in said Southwestern Bell Telephone Company's P. S. C. Mo. Nos. 18, 19 and 20, on file with the Commission.

Ordered, 2. That the operation of the proposed rates, charges and regulations contained in said schedule be suspended,* and that the use of said rates, charges and regu-

*On January 22, 1919, the Circuit Court of Cole County, Missouri, granted a temporary injunction against the company, upon suit by the State *ex rel.* Public Service Commission, enjoining the going into effect of the schedules in violation of the above order, and commanding the company to observe the rates, charges and regulations on file with the Commission next prior to January 21, 1919, until further order of the court; and that defendant should appear on February 1, 1919, to make answer to the petition and show why a writ of injunction should not issue as prayed for.

On February 1, 1919, the injunction was continued pending a hearing.

C. L. 87]

lations be deferred for a period of one hundred and twenty days, from January 21, 1919, to and including May 20, 1919, unless otherwise ordered by the Commission.

Ordered, 3. That this order shall take effect on this date, and that the secretary of the Commission forthwith serve on said Southwestern Bell Telephone Company a certified copy of this order, and that a copy of this order be filed with said secretary in the office of the Commission.

January 21, 1919.*

In re REJECTION OF SCHEDULE OF KINLOCH LONG DISTANCE
TELEPHONE COMPANY OF MISSOURI.

Case No. 1942.

Decided January 21, 1919.

**Schedule of Toll Rates Prescribed by Postmaster General in Order No.
2495 Rejected by Commission.**

ORDER.

It appearing that the Kinloch Long Distance Telephone Company of Missouri has filed with the Commission its schedules containing rates, charges and regulations in accordance with Telegraph and Telephone Bulletin No. 22 (Order No. 2495), issued by the United States Telegraph and Telephone Administration under date of December 13, 1918, the same providing certain changes and increases in rates, and,

It further appearing to the Commission that the said telephone company in so filing such schedules with the Public Service Commission, has failed, omitted and refused to comply with and obey the regulations and orders of this

* Similar orders were issued affecting the following companies:

Cape Girardeau Bell Telephone Company..	No. 1925.	January 20, 1919
Buffum Telephone Company.....	No. 1926.	January 21, 1919
Pattonsburg Telephone Company.....	No. 1927.	January 21, 1919
Cass County Telephone Company.....	No. 1930.	January 22, 1919

Commission, and that such action in so filing such schedules is contrary to and in violation of the Public Service Commission law, and it now being the opinion of the Commission that such schedules so filed should be rejected and returned to the said Kinloch Long Distance Telephone Company of Missouri, and that said telephone company be prohibited from putting in effect and operation the said rates, charges and regulations provided in such schedules,

Therefore, it is ordered, 1. That the schedules filed by the Kinloch Long Distance Telephone Company of Missouri, containing rates, charges and regulations in accordance with Telegraph and Telephone Bulletin No. 22 (Order No. 2495), issued by the United States Telegraph and Telephone Administration, under date of December 13, 1918, be, and the same are, hereby rejected, and that the secretary of the Commission forthwith return to such company such schedules.

Ordered, 2. That the operation and use of the rates, charges and regulations, contained in such schedules so filed, be, and the same are, hereby prohibited.

Ordered, 3. That this order shall take effect on this date, and that said secretary of the Commission forthwith serve on the Kinloch Long Distance Telephone Company of Missouri a certified copy of this order, and that a copy of this order be filed with the said secretary in the office of the Commission.

January 21, 1919.*

*On January 21, 1919, the Commission issued similar orders in cases affecting the following companies:

Kinloch Telephone Company	No. 1933
Independent Telephone Companies in Kansas City District....	No. 1934
Home Telephone Company of Joplin.....	No. 1935
Kansas City Long Distance Telephone Company.....	No. 1936
Kansas City Home Telephone Company.....	No. 1937

In re RATES OF MISSOURI UNION TELEPHONE COMPANY.

Case No. 1697.

Decided January 22, 1919.

**Increase in Rates Authorized — Allowance for Working Capital Made —
Allowance of 14 Per Cent. for Reserve for Depreciation and
Return on Investment Held not Unreasonable.**

The Missouri Union Telephone Company sought authority to increase its exchange and rural rates charged in the towns of Clinton, Windsor, Montrose, Deepwater and Ulrich.

A consulting engineer found that the cost new, less depreciation, of applicant's property, as of January 1, 1918, was \$183,479. Allowing \$4,000 for additions since this inventory was made and \$5,521 for working capital, the Commission used the sum of \$193,000, tentatively, as representing the value of the property for rate-making purposes. The Commission also found that on its outstanding capital stock of \$50,000 the company had earned an average of 1.3 per cent. for the entire twenty years of its existence and that for many years the officers and stockholders had devoted their time and energy to the building up of applicant's properties without pay, except nominal payment to the secretary and general manager.

Held: That as the proposed rates would yield only about 14 per cent. on the valuation adopted by the Commission, for reserve for depreciation and return on the investment, they should be authorized, as a return of 14 per cent. for reserve for depreciation and return on investment is not unreasonably high or low;

That the Commission was not bound by the clause in the city ordinance of Ulrich which fixed the rates to be charged at \$1.50 for business telephones and \$1.00 for residence telephones, as the Commission alone had the right to regulate rates of this character;

That the increase in rates authorized should remain in effect for a period of one year only from and after February 1, 1919, at the end of which period such increase of rates should cease without further notice and the rates and charges of applicant should then be reduced and restored by it to the rates now on file and charged by it, provided that the Commission might hereafter, by further order, continue such increase in rates and charges for another and further period or otherwise change or modify such rates and charges either upon the evidence before the Commission or upon evidence to be hereafter submitted, and for the purpose of making such changes in said rates the Commission retained jurisdiction of this case.

REPORT.

On June 22, 1918, the Missouri Union Telephone Company, a Missouri corporation with principal office at Clinton, Missouri, filed with the Commission its revised sheets to P. S. C. Mo. Nos. 1, 2, 3, 4, 5 and 7, canceling Original P. S. C. Mo. Nos. 1, 2, 4, 7, and First Revised No. 5, making certain increases in the exchange and rural rates now charged in the towns of Clinton, Windsor, Montrose, Deepwater and Urich, effective on August 1, 1918. It also filed the required forms, No. 90, containing a detail of the revenues and expenses for each of the exchanges, and a copy of an inventory and appraisal of the entire property or plants of the telephone company as made by W. C. Polk, consulting engineer of Kansas City, Missouri.

On July 31, 1918, the Commission on its own initiative issued an order suspending the effective date of the increase for a period of one hundred twenty days from August 1, 1918, to and including November 28, 1918, and on November 26, 1918, issued a second or supplemental order calling for a further suspension for a period of six months from November 28, 1918, to and including May 28, 1919. On November 21, 1918, a public hearing was held by a special examiner for the Commission at Clinton, Missouri, and the evidence taken.

THE FACTS.

The Missouri Union Telephone Company was represented by *W. E. Owen*, attorney, and mayor *N. Halfn* of Montrose and others appeared as protestants, and the following facts were adduced.

The telephone company is a Missouri corporation with an authorized capital of \$65,000, of which \$50,000 has been sold and paid for. This company was organized in 1899 for the purpose of constructing telephone exchanges and furnishing telephone service in Henry County. For many years the officers and stockholders devoted their time and energy to the building up of this business without pay, the secretary and general manager being the one exception, and

C. L. 87]

he received \$25.00 per month for several years, \$20.00 of which he paid per month to a bookkeeper to assist with the work. All the earnings of the plant from the time of its organization up to the present have been put into the plant for extensions and betterments with the following exceptions:

Dividends on the \$50,000 stock have been made as follows:

3 per cent. in.....	1905
3 per cent. in.....	1906
6 per cent. in.....	1916
6 per cent. in.....	1917
8 per cent. in.....	1918

or an average of 1.3 per cent. for the entire twenty years of the company's existence.

In 1910 the company employed the secretary and general manager at a salary of \$125 per month to devote his entire time to the business, and beginning January 1, 1918, raised his salary to \$200 per month.

The present and proposed rates for the five exchanges are as follows:

DEEPWATER.

	<i>Present</i>	<i>Per Month Proposed</i>
Business, direct line.....	\$1 65	\$1 90
Business, two-party (business and residence)....	1 65	1 90
Business, extension sets (one-half regular rate).		
Residence, direct line.....	1 15	1 40
Residence, two-party line.....	1 15	1 40
Residence, extension sets (one-half regular rate.)		
Additional charge for desk set equipment:		
Business	25	25
Residence	25	25
		<i>Per Annum</i>
Class A, rural switching service.....	5 80	7 80
Class B, rural switching service.....	15 80	16 80
Class D, rural switching service.....	10 80	13 80
(Class D, service subscribers furnish wire on company's poles, and furnish and maintain station equipment)	7 80	10 80

MONTROSE.

	<i>Per Month</i>	
	<i>Present</i>	<i>Proposed</i>
Business, direct line.....	\$1 65	\$1 90
Business, two party (business and residence)...	1 65	1 90
Business, extension sets (one-half regular rate).		
Residence, direct line.....	1 15	1 40
Residence, two-party line.....	1 15	1 40
Residence, extension sets (one-half regular rate).		
Additional charge for desk set equipment:		
Business	25	25
Residence	25	25
	<i>Per annum</i>	
Class A, rural switching service.....	5 80	7 80
Class B, rural switching service.....	13 80	16 80
Class D, rural switching service.....	10 80	13 80
Class D, rural switching service.....	7 80	10 80
(Subscribers furnish wire on company's poles and furnish and maintain station equipment).		

URICH.

	<i>Per Month</i>	
Business, direct line.....	\$1 65	\$1 90
Extension sets (one-half regular rate).		
Residence, direct line.....	1 15	1 40
Residence, two-party line.....	1 15	1 40
Extension sets	50	.....
Additional charge for desk set equipment:		
Business	25	25
Residence	25	25
	<i>Per Annum</i>	
Class A, rural switching service.....	5 80	7 80
Class B, rural switching service.....	13 80	16 80
Class C, rural switching service.....	8 80	.....
Class D, rural switching service.....	10 80	13 80

WINDSOR.

	<i>Per Month</i>	
Business, direct line.....	2 40	2 65
Extension sets (one-half regular rate).		
Residence, direct line.....	1 40	1 65
Residence, four-party line	1 15	1 40
Extension sets	50	75
Additional charge for desk set equipment:		
Business	25	25
Residence	25	25

C. L. 87]

	<i>Per Annum</i>	
	<i>Present</i>	<i>Proposed</i>
Class A, rural switching service.....	\$7 80	\$7 80
Class B, rural switching service.....	13 80	16 80
Class D, rural switching service.....	11 80	14 80
Class E, rural switching service.....	.....	7 80

CLINTON.

No change has been made in the several rates as charged for service in this exchange, but the following in the rural:

	<i>Per Annum</i>	
Class B, rural service.....	\$13 80	\$16 80
	11 80	14 80

GENERAL, APPLYING TO ALL EXCHANGES.

Local exchange service; two firms or families using same telephone one and one-half rate.

Residence telephone of business nature 50 cents additional to residence rates.

Ten cents for messages to farm subscribers for non-subscribers.

Charge for installation of new subscribers unless six months is paid in advance, rural, \$1.00; town, \$1.00.

Rentals due and payable, rural, monthly in advance; town, monthly in advance.

Discount of 15 cents per month allowed for payment by the fifteenth day of current month.

Business stations on rural lines where company owns and maintains wire, poles and instruments, \$22.80 per year.

Mr. W. C. Polk, a consulting engineer with many years' experience, made an inventory of the entire property, and a copy of his report or appraisal was submitted as Exhibit No. 4, and shows the total value of cost new to be \$228,341; cost new less depreciation, \$183,479, as of January 1, 1918, the above figures to include land and buildings owned and used by the telephone company in its exchanges. The report further shows that they own their own office building in each of their exchange towns with the exception of Clinton, Missouri, and the testimony shows that while they have purchased property in Clinton, Missouri, they have not as yet occupied the same as their central office. A total value of \$18,520 cost new less depreciation, has been placed upon

the real estate in the five exchanges, and at three of the exchanges new buildings have been erected and occupied.

The evidence shows the telephone company as furnishing the following service at their 5 exchanges, and the plant value of each exchange separately:

<i>Exchange</i>	<i>1910 Popu- lation</i>	<i>City Sub- scribers</i>	<i>Rural Sub- scribers</i>	<i>Sub- scribers Switched</i>	<i>Total Sub- scribers</i>	<i>Plant Value</i>	<i>Real Estate Included</i>
Clinton	4,992	704	500	.....	1,204	\$74,024	\$2,750
Windsor	2,241	396	517	44	957	57,114	7,700
Montrose	667	122	159	125	406	16,982	3,210
Deepwater	1,398	130	134	.....	264	14,681	2,650
Urich	484	127	219	89	435	20,678	2,210
TOTAL.....	9,782	1,479	1,529	258	3,266	\$183,479	\$18,520

Henry County has a population of about 28,000. The exchange at Clinton is central energy, or common battery. All the other four exchanges, and all rural lines are operated by local battery. All business, and the greater portion of the residence lines, are metallic circuits, but all the rural lines are grounded.

In addition to the above exhibits, the company filed at the time of the hearing Exhibit No. 8, which shows the revenue and expenses for the first nine months in the present year, viz., from January 1, 1918, to and including September 30, 1918, which shows:

Gross income	\$41,422 09
Expenses, not including depreciation reserve or return.....	25,505 36
NET INCOME FOR NINE MONTHS.....	\$15,916 73

At the above rate, if the remaining three months would produce the same result, and we see no reason to the contrary, the

Yearly net income would be.....	\$21,222 30
Increase as asked for in new rates.....	7,353 96
Leaving for depreciation reserve and return.....	\$28,576 26

C. L. 87]

In the month of June, 1918, the board of directors voted an increase in salaries to the employees in the amount of \$190 per month, which amount is shown in the months of July, August and September, but not reflected in the first six months of the year.

Hon. N. Halfin, mayor of Montrose, for the subscribers, raised no objection to the proposed increase, but asked that the office at that place be kept open all during the day on Sunday, stating that it was now closed from 11 A. M. to 1 P. M., and also as at present. This was agreed to by the officers present representing the telephone company.

J. G. Harrison, a farmer, receiving service on a rural line from the Montrose exchange, paying \$4.00 per annum for Class A service and \$12.00 per annum for Class B service on a Ulrich rural line, on account of his wanting to reach farmers receiving service from both exchanges, wanted free service to all the exchanges owned by this company.

Mr. J. W. Henry, a subscriber on a rural line, complained of the number of subscribers placed on the lines, and that the company required them to bring the telephone to the office when it needed repairing. The latter part of this complaint, the officers of the company explained, was provided for in their contracts, which allowed different rates as charged for service, one when the company repaired the telephone at the office, the other when its employees visited the station and repaired the same. The company admitted that on account of the materials being taken by the government, and using the same in winning the war, it had not been able to construct additional rural lines, and had, therefore, placed new subscribers on existing lines, but would remedy this trouble as soon as possible.

Mr. A. H. Harvey of Ulrich asked to be allowed to file a copy of the ordinance granted by the city of Ulrich to the telephone company to operate an exchange in that city. This was granted.

CONCLUSIONS.

The inventory of the property as made by W. C. Polk and shown by his testimony was by using pre-war prices for

both labor and materials, and while no inventory has been made by the engineers of the Commission, a careful check and comparison of the units of cost used shows that they are not high nor unreasonable. There are 3,008 subscribers receiving service from the five exchanges on lines and equipment owned by the telephone company. Taking the \$183,479 tentatively as a basis of property value, it would allow less than \$60.00 per subscriber, not a high value for exchanges of this character, especially when we consider that about 10 per cent., or \$6.00 per subscriber, is invested in the real estate of the property.

Mr. Polk in his inventory gives \$183,479 as the cost new less depreciation for the plant on January 1, 1918. Since that date about \$4,000 has been added to the plant, and the cost of establishing the business, etc., should raise the value to \$193,000, which we will tentatively assume as the value of the applicant's property.

In the five cities in which the company has exchanges it serves 1,479 subscribers, exclusive of rural lines, or a 15 per cent. development, which is a fair average for towns of this size, and in the entire county, where the population is 28,000, it serves by owned lines and switching service 3,266 subscribers, or a 12 per cent. development. The small number of protestants at the hearing would show the satisfactory service furnished in view of the fact that notice of the date of the hearing was published in the local papers, meeting of the subscribers held at which representatives of the company explained the proposed increases, and no particular reason advanced why it should not be allowed if the Commission found it necessary.

The increases asked for amount to practically 25 cents per month on all exchange rates, except as applied to Clinton, where no change is asked (the exception as explained by the company made because the Clinton exchange was already providing a fair return on the investment), and on some of the Class A or switching service rates smaller increases were asked for, but on other rural rates the 25 cents per month increase is provided for.

C. L. 87]

The rates as requested are not unusually high for exchanges of like size when the class of service is considered, \$2.50 per month net being the limit for a special business line with wall equipment, and \$1.50 per month for residence special line with wall equipment.

The company also owns and operates an extensive toll line system throughout the county, and the revenue derived, about \$9,000 per annum, very materially helps in making of the system a self-sustaining proposition.

The early history of this company is common to most of the better class of independent telephone companies in the State. Prominent and influential citizens for many years gave their time and energy to building up telephone companies without pay, otherwise they would have failed, but they should now receive a fair return on not only the amount invested, but allowance made for the years of no return, and a fair value of the plant as it now exists should be taken as a valuation basis.

In addition to the \$183,479 cost new less depreciation as of January 1, 1918, we will allow the \$4,000 that according to the testimony has been added to the plant since the inventory was made, and \$5,521 for working capital, and take the \$193,000 tentatively for rate-making purposes, and on this basis we have \$28,576, or 14 per cent. plus for depreciation reserve and return on investment, which is not unreasonably high or low, and if we take into consideration the \$190 per month increase in salaries allowed, the result will be just 14 per cent. for depreciation reserve and return on investment.

The complaint of J. G. Harrison in which he requests free service to the various subscribers at other exchanges than the one with which he is connected is without merit and will not be allowed. For various reasons the complaint of J. W. Henry as to the overloading of the lines in the rural districts should receive attention, and as soon as conditions are normal and materials available additional lines should be constructed.

The city ordinance as filed by A. H. Harvey of Ulrich pro-

vides that permission to install and operate a telephone exchange was given to D. B. Holcomb, the former owner of the Urich exchange, and contained a clause regulating the rates to be charged for service to \$1.50 for business telephone and \$1.00 for residence telephone. This Commission, as well as other commissions, has already held that they alone have the right to regulate rates of this character, and the courts have sustained such rulings. The rates as filed will be approved, and an order will be entered in conformity herewith.

ORDER.

This cause being at issue upon the order of the Commission suspending the Missouri Union Telephone Company's Revised Sheets to P. S. C. Mo. Nos. 1, 2, 4, 5 and 7, canceling Original P. S. C. Mo. Nos. 1, 2, 4, 7, and First Revised No. 5, and full hearing and investigation of the matters at issue having been had, and the Commission on the date hereof having made and filed its report in this cause, which is herein referred to and made a part hereof, and now upon full consideration, and after deliberation,

It is ordered, 1. That the Commission finds that the rates and charges set out in the schedule of said company are just and reasonable, and that said Missouri Union Telephone Company should be permitted to collect such rates and charges as maximum rates for furnishing telephone service at Clinton, Windsor, Montrose, Deepwater and Urich, Missouri, from and after February 1, 1919, upon the conditions hereinafter set out.

Ordered, 2. That this order shall be in full force and effect on and after February 1, 1919.

Ordered, 3. That any and all increases of rates herein authorized shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates shall cease without further notice, and the rates and charges of said Missouri Union Telephone Company shall then be reduced and restored by it to the rates now on file and

charged by it; *provided*, that the Commission may hereafter, by further order, continue such increase in rates and charges for another and further period, or otherwise change or modify such rates and charges, either upon the evidence before the Commission or upon evidence to be hereafter submitted, and for the purpose of making such changes in said rates the Commission hereby fully retains jurisdiction of this cause.

Ordered, 4. That said Missouri Union Telephone Company be required to keep a full and accurate account of the revenues and expenses of its said exchanges and file a full and complete report thereof with the Commission at the expiration of said period of one year above provided for, which report shall be in addition to any other reports required by law.

Ordered, 5. That the secretary of the Commission shall forthwith serve a certified copy of the report and order in this cause on the Missouri Union Telephone Company, and upon the Hon. A. S. Burleson, Postmaster General, Washington, D. C., and that said Missouri Union Telephone Company on or before the effective date hereof shall notify the Commission in the manner provided for in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

January 22, 1919.

In re APPLICATION OF PEOPLE'S TELEPHONE COMPANY OF
GRAHAM FOR AUTHORITY TO ISSUE STOCK, ETC.

Case No. 1269.

Decided January 23, 1919.

**Extension of Time Within Which to Sell Stock Previously Authorized
by the Commission to be Issued, Approved.**

SUPPLEMENTAL ORDER NO. 1.

Application having been made to the Public Service Commission by the People's Telephone Company of Graham,

Missouri, praying that Paragraph 3 of Section 2 of the order* entered by the Commission in the above-entitled cause on the twenty-seventh day of August, 1917, be amended so as to extend the time in which to sell \$600 worth of the \$5,115 of stock remaining unsold to June 30, 1919.

Now, upon said application, and after due consideration,

It is ordered, 1. That Paragraph 3 of Section 2 of the order of the Commission entered in the above-entitled cause on the twenty-seventh day of August, 1917, be, and the same is hereby, amended so as to extend the time in which to sell \$600 worth of the \$5,115 of stock remaining unsold to June 30, 1919.

Ordered, 2. That this order take effect on this date.

January 23, 1919.

In re APPLICATION OF SEYMOUR TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Case No. 1447.

Decided January 27, 1919.

**Extension of Time During which Increased Rates May be Charged
Granted.**

SUPPLEMENTAL ORDER No. 1.

It appearing that the Commission, after due investigation, and after the company named above had submitted satisfactory evidence that certain of its rates for telephone service contained in its P. S. C. Mo. No. 2, at its exehange at Marshfield, Missouri, were inadequate, unjust and unreasonable, and that the Commission by its order of record in the above-entitled cause did on January 23, 1918, permit the said company to put certain increased rates into effect for a period of one year, from February 1, 1918, to February 1, 1919, and,

It further appearing that any and all increases of rates authorized or permitted in the order in this cause issued

* See Commission Leaflet No. 70, p. 929.

C. L. 87]

January 23, 1918, were to remain in effect for a period beginning February 1, 1918, and ending February 1, 1919, for telephone service, at the end of which temporary period such increase of rates should without further order cease, and the rates of said company should then be reduced and restored by said company to the rates then on file or charged by it on January 31, 1918; *provided*, that the Commission might thereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company, and that the said company was required to keep a full and accurate account of the revenues and expenses of its plant, and file a full and complete record thereof with this Commission at the expiration of such period of one year beginning February 1, 1918, and ending February 1, 1919, and,

It now appearing that the company shows by its verified report for the eleven months ending January 1, 1919, that its revenues from operation have been sufficient to allow 4 per cent. for depreciation and a rate of return of 1.6 per cent. on a valuation of \$7,592.47. It also appearing that the operating costs of the company have not been materially reduced during the period covered by the above named report.

Therefore, it is ordered, 1. That the Seymour Telephone Company be permitted to continue the rates allowed to be charged in the order of January 23, 1918, for a further period of six months, from February 1, 1919, until July 31, 1919, under certain terms and conditions.

Ordered, 2. That any and all increase of rates herein authorized or permitted over and above the rates in effect on January 31, 1918, shall remain in effect for a further period of six months only, beginning February 1, 1919, and ending July 31, 1919, at the end of which six months' period such increased rates shall, without further order, cease, and the rates of said company shall then be reduced and restored by said company to the rates on file and in effect on January 31, 1918; *provided*, that the Commission may hereafter, by further order, continue such increase of rates for

another or further period, or otherwise change or modify the rates of said company.

Ordered, 3. That the said company be required to keep a full and accurate account of the revenues and expenses of its plant, and file a full and complete verified report thereof with this Commission at the expiration of said period of six months beginning February 1, 1919, and ending July 31, 1919, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject-matter of this cause, to continue, change or modify the rates of said company upon the expiration of said period of six months, or at any other time, upon the reports, evidence and facts now before the Commission, together with such other reports, evidence or facts as the company or any interested party may offer.

Ordered, 4. That this order shall take effect on February 1, 1919, and that the secretary of the Commission shall forthwith serve upon the parties hereto a certified copy of this order, and that the company shall on or before the tenth day of February, 1919, notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

January 27, 1919.*

CITY OF TROY V. TROY TELEPHONE COMPANY.

Case No. 1839.

Decided February 3, 1919.

Improvement in Service Ordered.

REPORT.

On November 18, 1918, the city of Troy, Missouri, by its attorney, Hon. D. E. Killam, filed with this Commission a

* Similar orders were issued in the following cases on January 27, 1919:

Downing Telephone Company. No. 1445.

Clifton Hill Telephone Company. No. 1446.

C. L. 871

formal complaint against the Troy Telephone Company, in which it claimed that the telephone company was and had been for many months furnishing an inferior grade of service to its subscribers and the public, that the operators were inexperienced, the equipment worn out, not kept in repair, and a general neglect of their duties to the public, and asking that an investigation be made by the Commission and relief ordered.

A public hearing was held at Troy, Missouri, on January 29, 1919, by a member of the Commission, and the evidence as to the telephone service furnished by the Troy Telephone Company was heard. Testimony was presented to show that the telephone service rendered the subscribers of the Troy Telephone Company and the public was not a good or acceptable service, the condition having been bad for several months. Would-be subscribers were unable to have instruments installed; the lines in certain parts of the city were noisy on account of inductive interference from the electric light wires, they being in close proximity to and paralleling the wires and cables of the telephone plant. What is known as cross-talk was noticeable, this being caused by the subscribers' lines in the cable being grounded or single lines when they should be metallic. The service was slow, subscribers being compelled to signal the central office repeatedly before getting any response. The transmission was poor, caused by the batteries in the telephones being old and worn out, or from some other cause. The complaints from the city and rural subscribers to the company were not attended to promptly nor the trouble removed, all tending to cause the public unnecessary inconvenience and trouble.

Two or more conferences have been held by the Troy Commercial Club and the owner of the telephone company, at which times the poor service was discussed, but no improvements followed, and it then became necessary for the city to appeal to this Commission for relief.

The owner admitted that many of the complaints were just, and said he had been unable to find sufficient and com-

petent help, as experienced telephone linemen and inspectors could not be secured during the past year. Operators would not remain for any length of time on account of the salaries he could afford to pay. He further stated that he now has a competent operating force, and would at once secure an experienced lineman who would proceed to remove all of the plant faults causing the poor service complained of.

The public is entitled to an acceptable and good telephone service from any company that is enjoying the rights and privileges accorded in such cases by being allowed to occupy the streets and highways, and must assume the responsibility of at all times being able and willing to furnish such good service in return for such privilege and other returns.

In the present case the Troy Telephone Company has utterly failed in its duty in this respect. They must at once proceed to remedy all existing troubles, remove all faults that in any manner have a detrimental effect upon the service, and within three weeks from the effective date of the order accompanying this report advise the Commission what steps have been taken to improve the conditions in the city and country, and within sixty days report upon the completion of the work in order that an inspection and investigation can be made by the engineers or experts of this Commission.

An order will be entered in conformity herewith.

ORDER.

This cause being at issue upon complaint of the city of Troy against the Troy Telephone Company and full investigation of the matters and things complained of having been had, now after due deliberation,

It is ordered, 1. That the telephone company above named herewith following the effective date of this order must remedy the defective service existing at its switchboard in the city of Troy, Missouri, caused by the operators not promptly answering calls from its patrons.

Ordered, 2. That the company shall make a complete

C. L. 87]

examination and overhauling of the central office equipment and distribution system with competent lineman, and have all existing troubles removed.

Ordered, 3. That the company shall report progress made to this Commission at the end of three weeks from the effective date of this order, and a full report at the end of sixty days from the effective date of this order showing that the service as furnished at that time is efficient and satisfactory.

Ordered, 4. That this order shall be in effect on February 7, 1919, and that on or before that date the Troy Telephone Company shall notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed, and that the secretary of the Commission shall forthwith serve upon the parties hereto a certified copy of this order.

February 3, 1919.

NEBRASKA.

State Railway Commission.

In re APPLICATION OF H. G. FAIRCHILD FOR EXTENSION OF SERVICE.

I-4972.

Decided October 30, 1918.

Responsibility for Making Extension Entirely upon Postmaster General.

RULING.

From the plat which you filed for our information, it appears that there is a considerable number of rural subscribers in your locality who could be served from Osmond without extensive amount of building were it not for the fact that the rural line running out from Osmond to those already being served, carries the maximum on a party line which can be served property. It would require another wire from Osmond besides the extension to reach the list of twelve proposed subscribers that you mention. There would be little question as to the rights of these twelve persons to secure the service under ordinary conditions.

However, the Postmaster General, under an Act of Congress, has taken over the operation of telephone companies and assumes to have the authority to say that no telephone extension shall be made except for direct war activities and vital commercial needs. We are attempting to ascertain in the courts whether he has the authority which he assumes to have. Until that matter is passed upon the responsibility for making extensions will rest entirely on the Postmaster General.

October 30, 1918.*

* Letter of secretary of Nebraska State Railway Commission to H. G. Fairchild, Osmond, Nebraska, October 30, 1918.

In re COMPLAINT OF D. C. MAY CONCERNING LACK OF
TELEPHONE SERVICE.

Informal Complaint No. 5043.

Decided December 26, 1918.

**Telephone Company Ordered to Furnish Service to Complainant or Show
Cause Why Such Service Should not be Given.**

ORDER TO SHOW CAUSE.

Whereas, it has been brought to the attention of the Commission that D. C. May of Broken Bow, Nebraska, has for many weeks been without telephone service under substantially the following conditions:

Complainant was for years a subscriber of the telephone company on a farm line, and during the past summer built a new house on his farm some 500 or 600 feet from the location of his old residence, and has been unable to persuade defendant common carrier to provide for his needs even though liberal offer was made by him; and

Whereas, the Commission has made careful investigation and finds that the extension will require approximately 4 poles and 1,200 feet of wire, which poles complainant is willing to purchase and deliver on the ground; and

Whereas, it appears that the estimate placed by defendant company on the cost of constructing this extension is abnormal, and that the engineering department of this Commission has been wholly unable to check totals as to cost presented by defendant company; and

Whereas, it appears to the Commission that defendant company is wholly failing to perform its duties as a common carrier, occupying a definite field to the exclusion of competitors and holding itself out to serve the public; therefore

It is ordered by the Nebraska State Railway Commission, That the Nebraska Telephone Company be, and it hereby is, directed and ordered to install a telephone in the new residence of D. C. May, former rural subscriber connected

with its Broken Bow exchange, on or before Saturday, January 4, 1919, or appear in the office of the Commission at 11:00 A. M. to show cause, if any there be, why such installation should not be made.

Made and entered at Lincoln, Nebraska, this twenty-sixth day of December, 1918.*

In re APPLICATION OF THE BERTRAND TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Application No. 3706.

Decided December 31, 1918.

**Increase in Rates Denied — Continuous Service Ordered Furnished —
Allowance of 8 Per Cent. for Return Held Reasonable — Allow-
ance of 9 Per Cent. for Maintenance and Reserve for
Depreciation Fixed — No Dividends to be Paid
for Five-Year Period.**

FINDINGS.

Applicant owns and operates a telephone system located in the village of Bertrand, Nebraska, and vicinity. It serves 127 urban subscribers and 110 farm subscribers. It also furnishes switching service for 129 telephone users residing in the vicinity of the village who own their own facilities.

Applicant's present rates are as follows, per month:

Business	\$2 00
One-party town residence.....	1 25
Four-party town residence.....	1 00
Farm residence	1 25

with additional rates for desk and extension sets.

The applicant asks for an increase of 25 cents per month in each of the rates. Applicant offers to give day and night service if the application is granted, and 129 subscribers petitioned in support of the application. No protests were filed and no hearing was held.

Applicant was before the Commission in 1913† praying

* On January 4, 1919, the company notified the Commission that a telephone had been installed for complainant and thereupon the Commission directed that the complaint be marked satisfied.

† See Commission Leaflet No. 17, p. 695.

C. L. 87]

for an increase of rates. A hearing was held at that time, at which an inventory and valuation of the property made by the Commission's engineers was received in evidence. The record in that matter also shows that the Commission's accountant made an investigation of applicant's books of account, and reported that the books amounted only to a cash account, and that it was impossible to find the cost of construction of the plant or the owner's investment. Authority was given* to increase business rates 50 cents per month, and to make an additional charge of 25 cents per month for desk sets, the Commission basing its decision on the valuation of the property and the earnings and expenses for the year 1911. Applicant was ordered further to set aside from revenues for maintenance and depreciation purposes an amount equal to 8 per cent. of the value of its depreciable property, or \$1,328 per annum.

Applicant's annual reports to the Commission show the following earnings and expenses from June 30, 1912, to June 30, 1917:

<i>Description</i>	<i>Year Ending June 30, 1913</i>	<i>Year Ending June 30, 1914</i>	<i>Year Ending June 30, 1915</i>	<i>Year Ending June 30, 1916</i>	<i>Year Ending June 30, 1917</i>
Toll service.....	\$371 00	\$127 32	\$199 25	\$456 53	\$303 58
Subscriber's service.....	3,260 40	4,088 35	4,145 04	4,055 75	4,196 05
Switching service.....	889 60	415 55	401 30	501 20	501 20
Sundry sales.....		153 60	56 80		
Miscellaneous.....		59 28			
TOTAL EARNINGS...	\$4,521 00	\$4,844 10	\$4,802 39	\$5,013 48	\$5,000 83
Maintenance.....			\$603 29	\$1,144 51	\$1,588 03
Operation.....			1,666 40	920 00	788 95
General.....			499 81	1,200 00	1,000 00
Taxes.....			82 92	106 68	58 46
TOTAL EXPENSES...	\$2,855 96	\$2,834 47	\$2,852 42	\$3,371 19	\$3,435 44
NET INCOME.....	\$1,665 04	\$2,009 63	\$1,949 97	\$1,642 29	\$1,565 39
Dividends.....			\$1,019 27	\$1,336 56	\$1,565 39
NET SURPLUS FOR YEAR..	\$1,665 04	\$2,009 63	\$930 70	\$305 73	.....

* See Commission Leaflet No. 17, p. 695.

The total surplus accumulated during the years above described amounts to \$4,901.10, from which a dividend of \$2,371.04 was paid December 31, 1917, leaving a net surplus of \$1,530.06. Part of this net surplus belongs in the maintenance and depreciation fund according to the Commission's order* in the 1913 case. It is impossible to determine the exact amount belonging to that fund because applicant has failed to set aside monthly the amount designated for that purpose. This amount may be approximated at \$500, based upon the expenditures for maintenance above shown. In the 1913 case* the Commission found the present value of the property to be \$13,624.78, and the Commission directed the applicant to enter that amount upon its books as plant assets. The amount of that item on December 31, 1917, was shown to be \$13,824.78.

The Commission found inferentially in the 1913 case* that a return of 7.6 per cent., per annum, on the value of the property, was not excessive. Considering all of the circumstances relating to applicant's property, including its size, location, prevailing interest rates in the vicinity, and the excellence of the service rendered, the Commission now finds that a return of 8 per cent., per annum, since January 1, 1913, is reasonable. Applying this rate to the value of the property found in 1913, gives a total return due to the owner for the five years ending December 31, 1917, of \$5,449.91. The dividends paid during the five years amount to \$11,199.08; or \$5,649.17 in excess of the return due applicant. Eight per cent. per annum on the book value of the plant, (which value has increased only \$200 since the 1913 value), amounts to \$1,105.98. Applicant has, therefore, already received the return due it for five years in advance, and is not entitled to an allowance for that purpose in its rates.

The Commission has before it applicant's annual report for the calendar year ending December 31, 1917, which shows a net income for the year of \$2,370.44. From this

* See Commission Leaflet No. 17, p. 695.

C. L. 87]

amount should be deducted \$146.40 as the unexpended balance of the amount that should have been set aside for maintenance and depreciation. This leaves \$2,224.04 net income for the year, which is greatly in excess of applicant's claim of increased costs of the service at this time. It is, therefore, evident that the application for an increase of rates should be denied.

The denial of the application, however, should not relieve the applicant from the obligation of providing the best and most complete service possible from its revenues, and the Commission finds that applicant should provide continuous day and night service.

There is still another reason why the application should be denied. Applicant has failed to set aside for maintenance and depreciation from its revenues the amount prescribed by the Commission in its 1913 order,* namely, \$110.66 monthly. Applicant has apparently expended for this purpose about \$100 monthly, but the fund has not been created, and applicant's reports do not show the unexpended balance in the fund. An applicant who violates a specific order of the Commission should not be heard to invoke its powers. Commissions correspond in a sense to the equity courts, and it is a fundamental principle of equity that "he who seeks equity must do equity."

The Commission is convinced, however, that the allowance for maintenance and depreciation made in its 1913 order* is insufficient to meet the increase in costs of labor and materials since that time. The Commission found a reproduction new value of the plant in 1913 of \$18,886.50. Apparently \$200 worth of property has been added to the plant since that time, making a reproduction new value as of this time of \$19,086.50. The allowance for maintenance and depreciation should be based on reproduction new value, in as much as labor and materials for maintaining and replacing the property must be purchased at current prices.

* See Commission Leaflet No. 17, p. 695.

The Commission has found in several telephone rate cases before it during the current year, which involved plants of similar size to the one under review, that the requirements for maintenance and depreciation amounted to 9 per cent. per annum of the reproduction new value of the properties. Applying this percentage to the reproduction new value in this case gives \$1,717.79, or \$143.15 per month. The Commission finds that this amount should be set aside for maintenance and depreciation.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the application of the Bertrand Telephone Company for authority to increase its rates be, and the same is, hereby denied.

It is further ordered, That no dividends or return shall accrue to applicant on account of property in place on December 31, 1917, valued at \$13,824.78, for five years on and after January 1, 1918, and that if any dividends have been paid during 1918, that the same shall be restored to the treasury within thirty days of the effective date of this order.

It is further ordered, That applicant shall provide its subscribers and the public continuous night and day service, subject to the payment of lawful rates therefor.

It is further ordered, That beginning January 1, 1919, applicant shall set aside from its revenues for maintenance and depreciation, to an account in its books of account, the amount of \$143.15 monthly; the costs of maintaining and replacing applicant's property only shall be charged to this fund, and any unexpended balance therein shall be kept in the form of cash in hand or in bank.

It is further ordered, That no increase in the salaries or compensation paid to any general officer or stockholder of applicant shall be made without the approval of the Commission first had and obtained.

Whereas, an emergency exists, this order shall be in full

force and effect forthwith on the delivery of a certified copy thereof to the applicant.

Made and entered at Lincoln, Nebraska, this thirty-first day of December, 1918.

In re APPLICATION OF THE LINCOLN TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO REVISE CERTAIN RATES.

Application No. 3777.

Decided January 8, 1919.

Increase in Business, Residence and Rural Rates Authorized for Limited Period, Due to Emergency.

FINDINGS.

Application has been made by the Lincoln Telephone and Telegraph Company for authority to include the Tobias exchange of its system under the emergency provision considered by the Commission in Application 3701,* and for the following gross and net rates authorized on said exchange:

Individual business	\$2 75	\$2 50 per month
One-party residence	1 75	1 50 per month
Two-party residence	1 50	1 25 per month
Metallic farm line	5 25	4 50 per quarter

This exchange has, since its acquisition by applicant company, been served at the general rate of \$1.00 per month. At the time the Commission considered an increase on 66 exchanges where one or more classes of service were being furnished at lower than average rates, a separate application was pending for an increase of rates at the Tobias exchange. For that reason this exchange was not considered in the general emergency application.

Conditions surrounding the service at Tobias are no different than those surrounding the service at a number of other exchanges where temporary higher rates were authorized to cover a period of excessive cost of operation due to

* See Commission Leaflet No. 84, p. 211.

high wages and high cost of materials. The Commission is of the opinion, and so finds, that rates at the Tobias exchange should be included under the same general provisions as those authorized in Application 3701.*

Applicant also desires that upon metallic farm line service at the Utica exchange a gross rate be authorized of \$5.25 per quarter and a net rate of \$4.50 per quarter, all subscribers to be allowed one added adjacent exchange for free service, said choice to be made by lines. This rate was authorized in the temporary increases provided by the Commission, in order on Application 3701,* for all exchanges in territory surrounding Utica under substantially identical conditions. It was omitted from the Utica schedule through error. The Commission is of the opinion, and so finds, that for the same period of time as the emergency rates heretofore authorized, metallic farm line service connected to the Utica exchange should bear the rates set forth above.

The application of the gross and net charges shall be governed by payment on or before the tenth of the month in which service is given the base area, and on or during the first month of the quarter in which service is given for farm line subscribers.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That effective February 1, 1919, the Lincoln Telephone and Telegraph Company be, and it hereby is, authorized to publish gross and net rates for service on its Tobias exchange as set forth in the finding above, the metallic farm line rate to be applied only where metallic service is being offered.

It is further ordered, That applicant shall be authorized to charge the rates set forth in the finding above for metallic farm line service connected to its Utica exchange, the gross and net rates to be applied as per the statement in the finding above.

It is further ordered, That these rates are authorized as

* See Commission Leaflet No. 84, p. 211.

In re APPLICATION OF NEBRASKA TELEPHONE CO. 1037
C. L. 87]

emergency rates only, and shall terminate May 1, 1919, unless prior to that date further action is taken by the Commission thereon.

Made and entered at Lincoln, Nebraska, this eighth day of January, 1919.

In re APPLICATION OF THE NEBRASKA TELEPHONE COMPANY
FOR AUTHORITY TO PUBLISH RATES FOR TELEPHONE
SERVICE BETWEEN ORAFINO AND FARNAM.

Application No. 3785.

Decided January 8, 1919.

**Establishment of Toll Rates in Lieu of Free Interchange of Service
Authorized — Division of Interline Revenue Fixed.**

FINDINGS.

Applicant herein operates an exchange at Farnam, Nebraska. Fifteen miles south of Farnam is an inland town named Orafino which is the terminus of six or seven mutual telephone companies. A switchboard is maintained by A. W. Harkins. Applicant company has a published rate of 50 cents a month, per station, for switching service at its exchange at Farnam.

Applicant's predecessor entered into a contract with one of the mutual lines at Orafino, under which applicant's predecessor built a pole line a distance of 10 miles south from Farnam, and there met a pole line owned by the mutual company. The mutual company extended a toll line from the switchboard at Orafino for 5 miles on its own poles, and for 10 miles on the poles of applicant's predecessor. A contract was entered into between the two companies for mutual interchange of service.

Applicant alleges that this service is discriminatory against persons and companies paying regular switching rates at Farnam, and desires that, either a switching charge be authorized against all the telephone users whose lines center at Orafino, or that service between the two towns be placed on a per message basis of 15 cents per call.

The Commission does not consider the service from Orafino a switching service, because a very large proportion of the calls from line to line are not handled at the Farnam exchange, and only those messages are so handled where communication is established between subscribers connected at either exchange. The Commission is, however, of the opinion, and so finds, that a discrimination exists at the present time which should be removed.

The Commission does not think that the rate of 15 cents is a proper rate and temporarily, as an experiment, will order that a rate of 10 cents per call be established between the two exchanges. For purposes of division of this revenue, it will be considered that the toll line belongs to the mutual companies centering at Orafino, and that they are using about 10 miles of the pole line of the Nebraska Telephone Company for which due payment should be made. The statutory percentages of 15 per cent. for originating messages, and 10 per cent. for terminating messages, should be allowed the Nebraska Telephone Company at Farnam, the remainder of the toll revenues to go to the proper company or companies at Orafino. Settlement for use of pole line of the Nebraska Telephone Company is a matter of private contract to be agreed upon between the parties in interest.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Nebraska Telephone Company, and certain companies with lines centering at Orafino, Nebraska, be, and they are hereby, authorized and directed, effective January 15, 1919, to publish a charge of 10 cents per message on all calls passing between the switchboard at Orafino and the switchboard of the Nebraska Telephone Company of Farnam, the Nebraska Telephone Company to receive statutory commissions on originating and terminating calls, and the proper company or companies at Orafino to receive the remainder of the toll revenue.

Made and entered at Lincoln, Nebraska, this eighth day of January, 1919.

In re APPLICATION OF THE OHIOWA TELEPHONE COMPANY TO
PUBLISH RATES.

Application No. 3787.

Decided January 8, 1919.

**Increase in Rates With Discount for Prompt Payment Equal to Increase
Authorized.**

FINDINGS.

The Ohiowa Telephone Company has petitioned the Nebraska State Railway Commission for authority to make an extra charge of 25 cents per month upon delinquent telephone subscribers. Applicant set forth as a reason for this application that, at the close of the business in 1918, \$2,000 in telephone accounts receivable were outstanding. It is a regular practice of the Commission, where a necessity is found to exist, to authorize gross and net rates with a discount for prompt payment; and the Commission is of the opinion, and so finds, that an order should be issued to that effect in this instance.

ORDER.

It is therefore, ordered by the Nebraska State Railway Commission, That, effective February 1, 1919, the Ohiowa Telephone Company be authorized to publish the following gross and net rates for telephone service:

	<i>Gross</i>	<i>Net</i>
Individual line, business	\$1 90	\$1 65 per month
Individual line, residence	1 65	1 40 per month
Party line, residence.....	1 40	1 15 per month
Farm line subscribers.....	4 20	3 45 per quarter

For town subscribers, business and residence, a discount of 25 cents per month from the above gross rates shall be allowed where bills are paid on or before the tenth of the month in which the service is given. For rural subscribers, a discount of 75 cents per quarter shall be allowed from the gross rates named above where bills are paid during the first month of the quarter in which the service is given.

Made and entered at Lincoln, Nebraska, this eighth day of January, 1919.

In re APPLICATION OF THE NEBRASKA TELEPHONE COMPANY
FOR AUTHORITY TO PUBLISH SECTIONS 16, 17 AND 18 OF
NEBRASKA GENERAL SUPPLEMENTAL TARIFF.

Application No. 3337.

Decided January 11, 1919.

**Rates and Regulations Covering Long Distance Terminals, Public News
Telephone Service and Short Period Talking Service Approved.**

FINDINGS.

Applicant herein filed for the approval of the Commission more than a year ago a general supplemental tariff covering special rules and rates for special service, as same were in force on its exchanges within the State of Nebraska where such service was offered. After careful consideration, the Commission approved this supplemental tariff.

Applicant now desires to add three sections thereto, to be known as Nos. 16, 17 and 18, respectively, referring to rules and charges for long distance terminals, public news telephone service, and short period talking service.

Informal hearing was held on this application, and it was explained by applicant that, with one or two minor exceptions, the proposed sections embody the rules and rates now being used for this extremely special service, and that it is the desire of the company merely to complete the general supplemental tariff already on file with the Commission. The Commission is of the opinion, and so finds, that the application should be approved.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Nebraska Telephone Company be, and it hereby is, authorized to publish in its Nebraska general supplemental tariff, Sections 16, 17 and 18, as same were filed with the application under date of November 20, 1917.

Made and entered at Lincoln, Nebraska, this eleventh day of January, 1919.

In re APPLICATION OF THE BEAVER VALLEY TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3737.

Decided January 11, 1919.

Increase in Business, Rural and Switching Rates Authorized — Allowance of 7 Per Cent. for Return Held Reasonable — Dividends Limited to 7 Per Cent.— Use to be Made of Surplus Specified.

FINDINGS.

Applicant herein has operated for many years at an authorized rate of \$1.25 per month net for all classes of service. It has now asked for an increase in rates, alleging that the various rates are entirely insufficient to meet financial demands. The rates proposed by applicant are as follows:

Individual business	\$2 00 per month
Residence service	1 25 per month
Rural service	1 50 per month
Extension sets	50 per month
Extension bells (small)	1 00 per year
Extension bells (loud ringing).....	1 50 per year

Applicant has made a financial showing, on demand, in support of its application. It has 41 business 'phones altogether on the three exchanges operated by it at Danbury, Lebanon, and Marion, 80 residence subscribers, 198 farm subscribers, and switches for 125 stations. The proposed increase will amount to \$9.00 per annum on business stations, \$3.00 per annum on farm line stations, and it proposes to increase switching rates from 25 cents to 50 cents per month. The increase proposed would add a maximum to the company's gross revenue of about \$1,325.

The company was organized in 1902, and has conducted its telephone business in an economic and conservative manner, so far as the record shows, since that time. It has paid cash dividends from date of organization to the present

time, with the exception of 1904, 1905, 1908, 1912 and 1914. In the years 1904, 1912 and 1914 no dividends were declared. In 1905 and 1908 stock dividends were declared, respectively, 25 per cent. and 10 per cent. on the stock outstanding. By eliminating the years in which stock dividends were declared, the dividends paid by the company, although ranging from 6 to 10 per cent., have averaged 7 per cent., which the Commission considers reasonable. In the two years represented by stock dividends, an average of 15 per cent. was paid. Had the dividends been confined to normal rates, even though paid in stock rather than in cash, there would have been issued approximately \$1,420 in stock, whereas the stock dividends apparently amounted to approximately \$2,600. Thus, the amount of stock now outstanding is about \$1,200 in excess of what would have been outstanding had the stock dividends been normal. This fact will be borne in mind in reaching conclusions. A detailed statement by the company of receipts and expenditures for the first nine months of 1918 indicates an earning rate of \$6,190 per annum, but this includes the government tax on toll calls. The expenses for a year, based on what was actually spent for nine months, were \$5,676, also including payments of the government war tax. Dividends of 7 per cent. on the outstanding stock were declared. Total expenses, plus dividends for the year on the basis figured, were \$6,532.80, or a deficit of \$343.

There was spent for maintenance, material, and lineman's salary in the nine months, \$2,423.70, of which the labor item was \$1,370.90. The lineman was paid \$100 per month, but he also served as manager, secretary, collector and bookkeeper. Allowing arbitrarily \$700 of the \$900 for other work of this official than line work, and the maintenance item for nine months would amount to \$1,723.70. On a present worth of the plant at \$15,000 this would be 15 per cent. It would be somewhat less than that on the original cost of the property probably, although there is no showing as to the original cost of the property. At all events the charge for maintenance is high, even assuming that the

C. L. 87]

depreciation reserve for 1918 was used in rebuilding and replacements.

The company's statement is to the effect that it has been rebuilding some of its property extensively, and that the work is much needed. This indicates deferred maintenance in the past, and that also is indicated from the annual reports to the Commission, where the maintenance in 1914 is shown as 4.6 per cent. and in 1915 as 4.4 per cent. The meager records available indicate that the allowance for deferred depreciation in the earlier years of the company was not properly set up. This will call for an unusually heavy maintenance in the next year or two, obligations which rest upon the subscribers, even though such maintenance was deferred until the present date.

The proposed increases will supply the following added income:

Business, 41 'phones at \$9.00 per annum increase.....	\$369
Farm, 198 'phones at \$3.00 per annum increase.....	594
Switching 125 stations at \$1.80 per annum increase.....	225
<hr/>	
TOTAL INCREASE	\$1,188

Allowing 2 per cent. for uncollectible accounts the total income of the company under the rates proposed, and with a switching rate at 40 cents per station, per month, would be \$7,230. If expenses do not increase over those of 1918, as set out above, there will remain a surplus of \$697 maximum after the expenses are paid and a 7 per cent. dividend is allowed.

This will give the company sufficient leeway to take care of unforeseen additions to operating expense, and will permit a more extensive program of rebuilding and repairing depreciated properties.

The Commission will for the present limit the company to 7 per cent. dividends on outstanding stock, and in doing so will not take into account that the too liberal stock dividend was made on two different occasions. The company will be given an opportunity, at its option, after its lines

have been put into first class condition and its finances are no longer in difficulty, to make a showing to the Commission that an allowance of 7 per cent. dividends is not sufficient, but until such showing is made the limitation will be prescribed.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Beaver Valley Telephone Company be, and it is, authorized, effective February 1, 1919, for city subscribers at the exchanges at Danbury, Lebanon, and Marion, and effective March 1, 1919, for rural switched subscribers connected at said exchanges, to publish and collect the following rates:

	<i>Per Month</i>
Individual business service	2 00
Residence service	1 25
Rural line service	1 50
Switching service per station.....	40

It is further ordered, That applicant company shall first pay from its gross receipts all proper charges for operating and for general expenses and for maintenance of its properties; it shall pay interest and taxes and any proper claims for loss and damage assessed against it; after these expenses have been met, and not until, the company shall pay not to exceed 7 per cent. dividends on present outstanding stock.

It is further ordered, That any surplus then remaining unexpended shall be used to meet deficits in the amounts set out above, or shall be used in repairing or replacing depleted existing property, or shall be carried as depreciation reserve in such manner that it will be readily accessible for replacements and repairs when needed. No part of said surplus shall be used for extensions.

Made and entered at Lincoln, Nebraska, this eleventh day of January, 1919.

In re APPLICATION OF THE FARMERS AND MERCHANTS TELEPHONE COMPANY OF JULIAN FOR RATE INCREASE.

Application No. 3728.

Decided January 22, 1919.

Increase in Business, Residence and Rural Rates Authorized.— Higher Rate for Business Service than for Residence and Rural Service Authorized — Surplus Above Necessary Operating Expenses, General Items of Expense and 7 Per Cent. Dividends to be Used for Putting Property in Better Condition.

FINDINGS.

Applicant herein operates a telephone exchange at Julian, Nebraska, with approximately 120 subscribers, of which about 30 are within the exchange limits, and the remainder are on rural party lines. The company has been in operation since 1906, has always maintained a rate of \$1.20 per month for all classes of service, and has never paid any dividends. It now asks for authority to increase all charges to \$1.50 in order to meet increased cost of doing business.

The company has outstanding \$1,125 of stock. It has also put unearned dividends back into the property, and while no check has been made as to the total property, it is evidently, from the reports, considerably in excess of the outstanding stock. The company does not at this time apply for readjustment of its stock to take care of dividends earned but not paid.

The Commission has had considerable correspondence with applicant company relative to its finances, and has found it difficult to secure all the information necessary, chiefly because applicant's books do not show the necessary information. It is evident from the showing made by applicant that maintenance of the lines has not in recent years been adequate, and it is faced at this time with the necessity of making extensive repairs at a time of very high cost of materials. It is also found necessary to increase the

salary of the lineman. This lineman also undertakes to do the operating, and has thus far furnished the line work and the operating to the company at a lower price than can generally be found in the State.

The Commission is convinced from the investigation thus far made that the company should have increased revenues, chiefly for the purpose of improving its lines. It is entitled to earn a dividend not to exceed 7 per cent. on the stock outstanding, and upon proper showing in the future as to investment of earned dividends in the property for which a stock dividend is proper, it may be authorized to earn on more than the present outstanding stock. The Commission does not go into the matter at present because of lack of information.

The Commission is of the opinion, and so finds, that the Farmers and Merchants Telephone Company should be authorized to increase its business rate to \$1.50 per month, and residence and farm line to \$1.25 per month; all surplus over and above necessary expenses of operating, general items of expense, and dividends of not more than 7 per cent., to be used in putting the property into better condition.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Farmers and Merchants Telephone Company at Julian, Nebraska, be, and it hereby is, authorized, effective February 1, 1919, to publish and collect a rate of \$1.50 per month net for business telephone service, and \$1.25 per month for residence and farm line service.

It is further ordered, That the company shall pay all proper operating and general expenses, shall declare not more than 7 per cent. dividends on the outstanding stock, and thereafter shall arrange for the expenditure of the remaining surplus for maintenance, rebuilding and repairing of its existing properties, no part of said surplus to be used for new extensions.

C. L. 87]

It is further ordered, That any surplus that the company does not feel justified in expending for such repairs shall be held in the treasury until such time as it is necessary for replacements and rebuilding.

Made and entered at Lincoln, Nebraska, this twenty-second day of January, 1919.

In re APPLICATION OF HAMILTON COUNTY FARMERS TELEPHONE ASSOCIATION TO PUBLISH VACATION RATES.

Application No. 3759.

Decided January 11, 1919.

Vacation Rates Approved.

RULING.

Application having been made by the Hamilton County Farmers Telephone Association for authority to publish vacation rates for subscriber service one-half the regular rate for the class of service furnished; and it appearing to the Commission that the application is reasonable and in line with previous approved practices, it was on motion directed that the desired authority be granted and that applicant be notified by letter of the action taken.

January 11, 1919.

NEW JERSEY.

Board of Public Utility Commissioners.

In re PETITION OF NEW YORK TELEPHONE COMPANY, DELAWARE AND ATLANTIC TELEGRAPH AND TELEPHONE COMPANY, AND ATLANTIC COAST TELEPHONE COMPANY FOR MERGER, ETC.

Decided January 7, 1919.

Approval of Plan for Formation of Company to Take Over Properties of Other Companies, and Fixing of Rates of Such New Company in Advance, Denied in View of Federal Control and Extensive Rate Investigation Required.

REPORT.

The joint petition of the New York Telephone Company, Delaware and Atlantic Telegraph and Telephone Company, and Atlantic Coast Telephone Company, filed on February 15, 1918, refers to four separate proceedings theretofore had by the various petitioners before this Board, as follows:

1. *In re Merger of New York Telephone Company and Atlantic Coast Telephone Company;*
2. *In re Merger New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company;*
3. *In re Inquiry as to the Justice and Reasonableness of the Rates of New York Telephone Company;*
4. *In re Inquiry as to the Justice and Reasonableness of the Rates of the Delaware and Atlantic Telegraph and Telephone Company.*

In the first proceeding this Board approved* of the agreement of merger and consolidation, and on July 26, 1917, issued a certificate granting approval. No steps have been taken, however, to effect the merger and consolidation.

* See Commission Leaflet No. 69, p. 638.

C. L. 87]

The petition alleges as a reason for the failure to effect the merger so heretofore authorized,* that the New York Telephone Company has no property in the territory in which the Atlantic Coast Telephone Company operates, and that the petitioners have awaited the decision of this Board in the *Matter of the Application of New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company to Approve of a Merger and Consolidation* of these two companies, the property of the Atlantic Coast Telephone Company being included in the territory in which the Delaware and Atlantic Telegraph and Telephone Company operates. The object and purpose of the two applications is to combine in the New York Telephone Company full ownership and control of all properties in the State of New Jersey owned, operated and belonging to the three petitioners in the present proceeding.

The Board on November 20, 1917, disposed† of the second application above referred to, and withheld its approval of the agreement for merger and consolidation of the New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company. An extract from this Board's report in this matter is as follows:

"In the judgment of the Board consolidation of the properties in question should be limited to the property located within New Jersey, thus segregating the property within New Jersey from the property without that State, and thereby creating a unit wholly within that State. Such segregation and consolidation of properties should be effected through the transfer thereof to a corporation organized under the laws of the State of New Jersey. Instead, however, of dismissing the petition, the Board will hold the same, with leave either to amend in accordance with the views herein expressed, or to file a new petition in conformity therewith. On such amended or new petition, the Board will determine the value of the property for purposes of capitalization, using therefor the findings as to value in the proceedings relating to the rates of the companies respectively."

In the Matter of Inquiry as to the Justice and Reasonableness of the Rates of the New York Telephone Company

* See Commission Leaflet No. 69, p. 638.

† See Commission Leaflet No. 73, p. 120.

(the third of the proceedings above referred to), this Board on November 20, 1917, found* the existing rates to be unjust and unreasonable, and ordered* a reduction in the net revenue of the New York Telephone Company of at least \$800,000. An order* was made requiring the New York Telephone Company to submit, within sixty days thereafter, tariffs which would effect annually a reduction in the net revenue of said amount.

In the fourth proceeding, viz., the *Inquiry as to the Justice and Reasonableness of the Rates of the Delaware and Atlantic Telegraph and Telephone Company*, this Board, on November 20, 1917, found† the value of the property and the net revenue from operation, and as to the then existing rates of said company, said:

“Rates which produce a return so limited cannot be held to produce excessive rates and to be unjust and unreasonable. No order disturbing the existing rates will, therefore, be ordered.”

The petitioners in the present proceeding allege that owing to the increased cost of labor and material since the year 1916, the return of net revenue of the Delaware and Atlantic Telegraph and Telephone Company has constantly decreased until it is now operating at a deficit.

The petitioners further allege that it is their desire and intention to carry out the suggestions of this Board contained in its report of November 20, 1917, in the *Matter of Merger of the New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company*,‡ and that the action of the respective directors and stockholders, which were filed as exhibits in said proceeding, had been rescinded; that various other preliminary steps in a plan for the formation of a new company under the laws of this State had been taken, to which new company all of the properties, franchises and privileges of the petitioners in the State of New Jersey could be transferred, and for

* See Commission Leaflet No. 73, p. 83.

† See Commission Leaflet No. 73, p. 109.

‡ See Commission Leaflet No. 73, p. 120.

C. L. 87]

which capital stock was contemplated to be issued equal to the combined valuation ascertained by this Board in the former proceedings. The petitioners, however, further set forth that inasmuch as the necessary costs and expenses incidental to the formation of such a new company are large, and other questions relating thereto are serious, they do not desire to take the final steps thereon unless and until they shall have obtained in advance of the making and presentation of a formal agreement the full approval of this Board.

The prayer of the present petition is as follows:

"Wherefore your petitioners pray that this honorable Board may:

1. Consolidate all of the above mentioned matters into one cause or proceeding;
2. Investigate the proposed plan of the petitioners for the formation of a new company and determine the fair value of combined assets and the amount of capitalization to be issued therefor;
3. Investigate the probable result of operation of the said corporation with a view of determining the just and reasonable rates for service to be charged thereby;
4. Thereafter make such order or orders as to the Board may seem just."

The petition was filed following an informal conference held on February 5, 1918, by the Board with counsel for the petitioners. The difficulties in effecting a merger and consolidation of the properties were outlined by the petitioners, who sought to ascertain whether this Board would in advance of the formation of the proposed new corporation approve of a plan which would be presented, and which would include the consolidation and merger of the New York Telephone Company and Atlantic Coast Telephone Company as heretofore approved* by this Board, and the proposed consolidation of the property of the New York Telephone Company with the Delaware and Atlantic Telegraph and Telephone Company. Recognizing the intricacies and complexities of a matter of such magnitude, the

* See Commission Leaflet No. 69, p. 638.

Board expressed at this informal conference its willingness to aid in any way possible, and indicated that it would entertain a petition in which the plan of merger and consolidation might be presented in advance of the actual entry into an agreement of consolidation. A petition was accordingly filed. The petition as filed, however, and the relief prayed for therein, are very much more extensive than the Board anticipated, in that it seeks, and that the grant of its prayer would require, an extensive rate investigation. Such an investigation the Board would, at this time, be unwilling to undertake. The protracted proceeding in the investigation of the justice and reasonableness of the rates of the New York Telephone Company was concluded in November, 1917. Since that time the company has filed amended tariffs. The rates promulgated by these amended tariffs have only recently been made effective.

It already appears by the reports required to be filed with this Board that such rates have not, and will probably not in the future effect the reduction in net revenue required to be made by the Board's former order.*

Not only would the prayer of the petition require an extended and costly re-investigation of a matter in which a determination has but recently been arrived at,* but if such re-investigation was made the effectiveness of the conclusion reached therein might be the subject of controversy, because of the recent assuming of control of the property by the Federal Government.

The petition as filed presents, as indicated, serious questions which the Board did not have in contemplation when at the informal conference it stated its readiness to act preliminarily and in a definite advisory way in advance of the actual entry into and presentation of a concluded agreement of consolidation.

For these reasons the Board must now decline to act as prayed by the petition.

Dated, January 7, 1919.

* See Commission Leaflet No. 73, p. 83.

C. L. 87]

In re INCREASED CHARGES FOR USE OF FACILITIES OF THE
AMERICAN TELEPHONE AND TELEGRAPH COMPANY *et al.*

*Decided January 20, 1919.**

**Toll Rates and Toll Service Classifications Authorized by Postmaster
General, Suspended Pending a Hearing.**

Held: That the Postmaster General in operating telephone companies in New Jersey was subject to the laws of the State respecting such companies, unless Congress had relieved him of compliance therewith;

That the regulation of rates was a lawful exercise of the police power and the joint resolution of Congress authorizing control and operation of telephone systems for the duration of the war had provided that existing laws or powers of the several states, in relation to lawful police regulations, should be undisturbed, except where they affected the transmission of government communications or the issue of stocks and bonds;

That, as there was nothing before the Board to show that the increased charges involved in the Postmaster General's Order No. 2495 would be reasonable with respect to any of the telephone companies operated in New Jersey, the proposed rates should not become effective unless and until reasons not yet advanced were given in support thereof, and the same should be suspended until April 20, 1919, unless the Board prior to said date should approve the same.

STATEMENT ACCOMPANYING ORDERS.

The law of New Jersey provides that when any public utility shall increase, change or alter its rates the Board shall have power

"to hear and determine whether the said increase, change or alteration is just and reasonable. The burden of proof to show that the said increase, change or alteration is just and reasonable shall be upon the public utility making the same. The Board shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration until the said Board shall have approved said increase, change or alteration not exceeding three months. It shall be the duty of the said Board to approve any such increase, change or alteration upon being satisfied that the same is just and reasonable."

* On January 27, 1919, the United States District Court denied the application of F. N. Barber, secretary of the New Jersey Board of Public Utility Commissioners, for an injunction restraining the Postmaster General, the New York Telephone Company, the Delaware and Atlantic Telegraph and Telephone Company and the American Telephone and Telegraph Company from putting into effect the toll rates and classifications prescribed in Order No. 2495 of the Postmaster General, on the ground that it was without jurisdiction in the premises.

Public utilities as defined by law include, among others, every individual co-partnership, association, corporation or joint stock company, their lessees, trustees or receivers appointed by any court whatsoever, that now or hereafter may own, operate, manage or control within the State of New Jersey any telephone plant or equipment for public use, under privileges granted or hereafter to be granted by the State of New Jersey or by any political subdivision thereof.

The Board is of the opinion that the Postmaster General in operating telephone companies in New Jersey is subject to the laws of the State respecting such companies, unless Congress possesses the power to relieve him of compliance therewith and has exercised such power.

The Postmaster General acts by appointment of the President in accordance with a joint resolution of Congress authorizing the President to assume control of telephone systems and operate the same for the duration of the war. This resolution contains a proviso to the effect that nothing therein

“shall be construed to amend, repeal, impair or affect existing laws or powers of the states in relation to taxation or the lawful police regulations of the several states, except wherein such laws, powers or regulations may affect the transmission of government communications, or the issue of stocks and bonds by such system or systems.”

Lawful police regulations of the states are such regulations as the states may lawfully make in the exercise of their police power. The courts in numerous decisions have held that the regulation of rates is a lawful exercise of the police power. It is not pertinent, and therefore unnecessary, to discuss whether Congress in providing for federal operation of telephone companies had power to declare state laws affecting these companies to be null and void. The fact is that Congress expressly declared that its Act should not be construed to impair or repeal such laws in relation to lawful police regulations. Unless and until it

C. L. 87]

is declared by a court of competent jurisdiction that the suspension of increased charges for telephone service is not a lawful police regulation the Board must assume the Postmaster General, as well as the telephone companies operated by him, are subject to provisions of the New Jersey statute with respect to charges for such service.

There is nothing before the Board to show that with respect to any of the telephone companies operated in New Jersey the increased charges ordered would be reasonable. With respect to the New York Telephone Company, they appear to be much in excess of the rates necessary to meet operating expenses and fixed charges and provide an ample net return. The Postmaster General does not claim that the government needs additional revenue from telephone operation and that increases are made for this purpose. In response to a letter to the Postmaster General protesting against the increases, the Solicitor of the Post Office Department has advised the Board that the rates prescribed by the order of the Postmaster General are the result of study by the Committee on Standardization of Rates of the Post Office Department, that it is intended they shall be

“applied throughout the country by all companies operating under government control, and without especial reference to its immediate effect in individual localities by reason of special conditions therein prevailing, so that this Department is not advised as to the probable results which will flow from the application of this new schedule in the State of New Jersey.”

The Board is not advised as to the personnel of the committee referred to. It has received no prior notice of the study being made by such committee. So far as the Board has been informed the committee has not given any public hearing and has not sought information from or consulted the records of the commissions of the several states. It seems to us that before placing the burden of greatly increased charges upon the users of telephones the Post Office Department should have been advised of “the probable results which will flow from the application of this

new schedule," not only in New Jersey, but in the other states as well.

It is the Board's opinion that unless and until reasons not yet advanced are given why the new rates should become effective they should not be allowed. In so far as they apply to service within the State of New Jersey they will be suspended. Appropriate orders will issue.

Dated January 20, 1919.

ORDER SUSPENDING INCREASES OF AMERICAN TELEPHONE AND
TELEGRAPH COMPANY.

It appearing that the American Telephone and Telegraph Company is a public utility as defined by "*An Act Concerning Public Utilities to Create a Board of Public Utility Commissioners and to Prescribe its Duties and Powers*" (Chapter 195, N. J. P. L. 1911); that the said American Telephone and Telegraph Company is now being operated by A. S. Burleson, Postmaster General of the United States, by virtue of a joint resolution of Congress authorizing and empowering the President to take possession of any telephone system and to operate the same in such manner as may be needful or desirable for the duration of the war; that the said joint resolution of Congress expressly provides that nothing therein "shall be construed to amend, repeal, impair or affect existing laws or powers of the states in relation to taxation or the lawful police regulations of the several states, except wherein such laws, powers and regulations may affect the transmission of government communications or the issue of stocks and bonds by such system or systems"; that the said A. S. Burleson in the operation of the American Telephone and Telegraph Company is, therefore, subject in the particulars mentioned to the laws of New Jersey as they affect an individual operating a telephone plant or equipment for public use; that the system of the American Telephone and Telegraph Company extends through and connects many municipalities in the State of New Jersey; that the system of the said company is used for conversation by telephone

C. L. 87]

between said municipalities, for which use, charges, commonly termed toll charges, are made; that certain classifications have been made and charges fixed by order of the Postmaster General which on and after January 21, 1919, will result in a change or alteration of existing classifications and increases in rates, tolls and charges for use of the facilities of the American Telephone and Telegraph Company; and it further appearing that the Act creating a Board of Public Utility Commissioners and prescribing its powers and duties referred to herein provides that when any public utility as defined by said Act shall "increase any existing individual rates, joint rates, tolls, charges or schedules thereof, as well as commutation, mileage and other special rates, or change or alter any existing classification, the Board shall have power either upon written complaint or upon its own initiative to hear and determine whether the said increase, change or alteration is just and reasonable," and "shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration until the said Board shall have approved said increase, change or alteration, not exceeding three months."

Now, therefore, the Board of Public Utility Commissioners for the State of New Jersey, on this twentieth day of January, 1919, orders and directs, That all changes and alterations of existing classifications and increases in rates, tolls and charges proposed to be made effective on the twenty-first day of January, 1919, insofar as the said changes, increases and alterations apply to the use of the facilities of the American Telephone and Telegraph Company for conversations between places in the State of New Jersey shall be suspended until the twentieth day of April, 1919, unless the Board prior to said date shall approve the same.

The Board on its own initiative hereby calls a hearing to determine whether the changes and alterations of schedules and increases in rates, tolls and charges referred to herein are just and reasonable, and fixes Thursday, the thirtieth

day of January, 1919, at eleven o'clock in the forenoon as the time, and its rooms No. 790 Broad Street, Newark, New Jersey, as the place of the hearing hereby called.

The Board hereby directs its secretary to mail copies of this order properly certified to A. S. Burleson, Postmaster General of the United States, Washington, D. C., and the American Telephone and Telegraph Company, which copies so mailed shall constitute notice of the hearing hereby called.

Dated January 20, 1919.

NEW YORK.

Public Service Commission — Second District.

In re RATE SCHEDULES FILED BY GLEN TELEPHONE COMPANY. A. S. BURLESON, POSTMASTER GENERAL.

Case No. 6700.

Decided December 27, 1918.

**Increase in Rates Authorized Subject to Later Proof of Reasonableness
— Company Ordered to Stamp on Bills Rendered a Promise to
Repay Excess Charges if Increase is Later
Held Unreasonable.**

OPINION AND ORDER.

Glen Telephone Company having filed with this Commission by special permission rate schedules hereinafter described, proposed to be effective January 1, 1919, and complaints relating to what are known as the Gloversville and the Johnstown areas having been received as to increases in rates thereby proposed; and it appearing that the rates affecting the Gloversville and Johnstown areas have been the subject of adjudication by this Commission by orders of this Commission of December 30, 1915, and March 1, 1916, in Cases Nos. 4176* and 4184†; and a hearing on said objections having been held by this Commission in the city of Albany on December 27, 1918, at which those named above appeared; and it appearing that under the specific wording of Section 97 of the Public Service Commissions Law this Commission may consent that the increases in rates proposed may be made; and counsel for the company stating at the hearing that if the rates proposed are found, after investigation, to be unreasonable the company will refund the difference to subscribers and

* See Commission Leaflet No. 51, p. 912.

† See Commission Leaflet No. 52, p. 1151.

will also assume the burden of proof as to the reasonableness of said rates in any proceeding thereon; now, after hearing counsel, and after due consideration had, and the Commission finding that it should properly allow to take effect January 1 the increases proposed, under the conditions hereinafter named, without, however, determining at this time that said rates are just and reasonable,

It is ordered, That Glen Telephone Company may, under the notice already given, put in effect in its Gloversville and Johnstown areas January 1, 1919, the rates, rentals, charges, rules, privileges and facilities shown by its local general tariffs designated as: Fifth Revision of P. S. C.—N. Y.—No. 8, and Fourth Revision of P. S. C.—N. Y.—No. 9, applying to Gloversville and Johnstown central office districts respectively, and which are now filed with this Commission, on the following conditions:

That said rates, rentals, charges, rules, privileges and facilities shall be the subject of investigation and determination by this Commission, either in pending cases Nos. 6689, 6690 and 6691, or other proceeding, and that in such proceeding or proceedings the burden of showing said rates, rentals, charges, rules, privileges and facilities to be reasonable and otherwise in accord with law shall be upon Glen Telephone Company; and that until said investigation shall be completed and determination made by order of this Commission said Glen Telephone Company shall furnish bills to its subscribers for the service in the Gloversville and Johnstown areas upon all of which bills, beginning with those rendered for January, 1919, shall be printed, stamped or otherwise permanently indicated the promise of Glen Telephone Company to refund to the subscriber paying such bill the amount paid in excess of the rate or rates hereafter determined by this Commission, by order, to be reasonable.

December 27, 1918.

In re SERVICE FURNISHED BY THE WESTERN UNION TELEGRAPH COMPANY.

Case No. 6678.

Decided January 14, 1919.

Regulations as to Delivery of Telegrams Prescribed.

This Commission having issued its order to The Western Union Telegraph Company directing that company to show cause at a time and place therein named why it should not furnish and provide with respect to its business within the State of New York such instrumentalities and facilities as shall be adequate and in all respects just and reasonable and in particular why it should not deliver telegrams to persons to whom the same may be sent at the place of business or address of said persons and why it should refuse to deliver such telegrams or a copy thereof except at an office of said company, and

Hearings upon said order to show cause having been held by the Commission at its office in the city of Albany, N. Y., on the eighteenth day of December, 1918, and the second day of January, 1919, at which time *F. J. Cross, Esq.*, appeared for the Chamber of Commerce of Rochester, N. Y.; *Edwin T. Coffin, Esq.*, appeared for the Albany Chamber of Commerce; *John A. Perkins, Esq.*, appeared for the Cohoes Board of Trade; *Henry S. Kahn, Esq.*, appeared for the city of Cohoes; and *J. G. Duffy, Esq.*, appeared for the Utica Chamber of Commerce, and *R. H. Overbaugh, Esq.*, appeared for The Western Union Telegraph Company, and

It appearing to the Commission from the evidence that said company within the State of New York does not furnish and provide with respect to its business such instrumentalities and facilities as shall be adequate in all respects just and reasonable and does not in many instances deliver telegrams to persons to whom the same may be sent at the place of business or address of said persons and refuses to deliver said telegrams or a copy thereof except at an office of said company,

Ordered, That The Western Union Telegraph Company be, and it is hereby, directed to continue to deliver all messages addressed to any person or corporation within the State of New York whose place of business or residence is situated within one-half mile of an office of the company without charge as said company has been hitherto accustomed to do.

Further ordered, That The Western Union Telegraph Company shall at all of its offices in the State of New York immediately transmit by telephone to the person or corporation to whom a message shall be addressed or to an accredited representative of said addressee, when said addressee or representative thereof can be reached by telephone, every message other than those above noted received at such office between the hours of 8 A. M. and 6 P. M., and shall in addition thereto send the original of said telegram to the person to whom the same is addressed by messenger or by mail at an additional charge of three cents when requested so to do by the person who receives said message by telephone. When, however, the person to whom the telegram is addressed shall request that any message shall not be sent by telephone but by messenger, such message shall be delivered by messenger. In case any person to whom a message is addressed is received by the company between the hours of 8 A. M. and 6 P. M. and such person cannot be reached by telephone then said telegram must be delivered by messenger. Said telegram may be held at the office of the company if the company is requested so to do by the person who receives the message by telephone and it shall then be only delivered when called for by the addressee or his representative within twenty-four hours after its receipt at the office.

C. L. 87]

In re TOLL RATES OF THE NEW YORK TELEPHONE COMPANY
UNDER ORDER NO. 2495 OF THE POSTMASTER GENERAL.

Dated January 21, 1919.

**Commission's Counsel Directed to Commence Action to Stop or Prevent
Telephone Company from Violating the Public Service Com-
missions Law by Putting Into Effect Toll Rates Pre-
scribed by Order No. 2495 of the
Postmaster General.**

On January 21, 1918, the Public Service Commission of New York, Second District, directed its counsel, under Section 103 of the Public Service Commissions Law, to commence an action or proceeding in the Supreme Court to stop or prevent, either by mandamus or injunction, the New York Telephone Company from violating the law by putting into effect, under the direction of the Postmaster General as set forth in Order No. 2495, a new tariff substantially increasing toll rates of which rates no schedule had been filed with the Commission. The statement of the Commission follows.

STATEMENT.

The Commission delayed taking action until today, because it was thought its position would be stronger by delay until the Postmaster General had put the new rates into effect. The Commission's analysis of the proposed rates show that they were promulgated by the Postmaster General with the statement that they brought about a decrease in rates, and the analysis of these rates agrees with those made by the Commissions in Illinois, Ohio, Nebraska, New Jersey, Indiana, Missouri and other states, showing that the increase in rates varies from 20 to 100 per cent. in the different states.

The general effect of the order of the Postmaster General effective today is to increase telephone charges for certain service covering the bulk of traffic, and adding for certain services which were heretofore free.

Main features of the old and new rates in comparison show:

Station to Station Messages. This is the basic rate which we have heretofore called the two-number rate. This means that you are supposed to call by number, but a charge is

made if you talk with anyone, whether the person wanted or not.

Person to Person Calls. This is what we have called particular person calls, which means that you talk with the particular person called for and no one else. The minimum rate now proposed for this service is 20 cents for an 18-mile haul, and if your party is not found you are charged a minimum of 10 cents up to a maximum of \$2.00.

Proposed Appointment and Messenger Rate Calls. This begins at 25 cents for an 18-mile haul and increases according to distance. The charge is made in addition to the actual messenger boy charge. Under the old rate there was no extra charge for appointments, and a uniform charge of 15 cents was made for messenger service.

Night Rates. The new night rates are for station to station calls only, and if a particular person is wanted the full day rate for person to person calls is charged.

To take a particular instance, and assuming that distances will be computed between the same starting points, the following shows a comparison of old and new toll rates between Albany and New York City:

	<i>Old Rate</i>	<i>New Rate</i>
Station to station.....	Not quoted	\$.90
Person to person.....	\$.90	1 10
Appointment	90	1 35
Report charge	No charge	20
Night,* 8.30 to midnight.....	Not quoted	45
Night,* midnight to 4.30 A. M.....	Not quoted	25

*Applies to station to station calls only. If a particular person is called the full day rate for person to person is charged.

The public generally has become accustomed to two kinds of toll service, viz., the two-number for short haul, and the particular person for long haul. In the short haul we have a rate of 5 cents for the first 8 miles and 5 cents for each additional 8 miles. This two-number short haul service has

C. L. 87]

generally been applied only to the 5-, 10- and 15-cent rates, that is, points where the traffic is heavy, especially between the larger towns within short distances, where the service is speeded up by using the call by number only, and if in any instance the party really wanted is not found, the loss is only 5, 10 or 15 cents, and in most cases some one is found to do business with.

In the case of long haul, where the charge is greater, running from 25 cents to several dollars, people want to make sure that they are going to talk with the party they want; so it has become the practice to make all this longer haul traffic on the particular person basis, and if the party is not found no charge is made.

In the new order of things the Postmaster General puts in a two-number rate extending to all distances. This is exactly the same as the old particular person rate, except for the first four steps, where 5 cents is charged for the first 6 miles, 10 cents for the second 6 miles, 15 cents for the third 6 miles, 20 cents for the fourth 6 miles, and then follows the old step of 5 cents for each 8 miles additional. This has the effect of making a slightly higher rate for a less satisfactory service in the short haul.

A considerably increased rate is charged for all of the long haul business under the particular person basis, and on top of this a charge is made for using the wires even though the party called for is not found and no conversation is held. This report charge was tried out many years ago, and abandoned by the corporations because it caused so much irritation. People do not like to pay something for what they consider nothing.

Under the old rates appointment might be made, without extra charge, for two parties to talk together at a certain time. Under the new scheme an extra charge is made for this kind of service, which is considerably above the new particular person rate. This extra charge is also applied where it is necessary to call a non-subscriber by messenger, plus the actual messenger fees. The old rates made no extra charge for calling non-subscribers to the telephone,

but made a uniform charge of 15 cents for the messenger service.

The night rates give a 50 per cent. cut between 8:30 P. M. and midnight, and a 75 per cent. cut between midnight and 4:30 A. M. A good deal has been made of this in the newspaper reports, but the public will be disappointed when they find that they must use the two-number basis to get the benefit of this reduction, and if they wish a particular person they must pay full day rates. We cannot expect that the night rates will be used for business purposes, and only to a limited extent for social purposes. Night rates at half the day rate were tried out by the corporations many years ago and abandoned as unprofitable.

January 21, 1919.

NORTH CAROLINA.

Corporation Commission.

In re APPLICATION OF SOUTHERN BELL TELEPHONE AND
TELEGRAPH COMPANY TO MAKE INSTALLATION CHARGES
PRESCRIBED BY THE POSTMASTER GENERAL BY ORDER NO.
1931.

Dated September 11, 1918.

**No Action by Commission Necessary in Connection with Installation
Charges Prescribed by Order No. 1931 of Postmaster General
other than to Enter Same in Commission Files.**

RULING.

I am directed by the Commission to acknowledge receipt of your letter of the ninth with respect to Order No. 1931 of the Postmaster General of the United States providing that from and after September 1, 1918, a scale of charges for installation of telephones as set out therein is to be made, and to say that your letter has been filed.

The Commission understand that the Postmaster General of the United States has assumed complete authority in the matter of regulation of rates and charges with respect to telephone service, and it is not the purpose of the Corporation Commission to raise any issue with the Postmaster General with respect to such authority, and the Commission, therefore, sees no reason why any action should be taken by it with respect to the proposed charges further than to enter same in its files.

September 11, 1918.*

* Letter of J. S. Griffen, clerk, North Carolina Corporation Commission, to Southern Bell Telephone and Telegraph Company, September 11, 1918.

OHIO.

The Public Utilities Commission.

In re AERIAL CROSSING OF THE NEW OTTAWA COUNTY TELEPHONE COMPANY AT MARTIN.

Administrative Order No. 37.

Dated January 10, 1919.

Telephone Company Ordered to Eliminate Aerial Crossing over Railroad Tracks.

ADMINISTRATIVE ORDER.

The Commission having under consideration the safety and security of the public, as the same are affected by the maintenance of an overhead crossing of the tracks of The New York Central Railroad Company by the wires of The New Ottawa County Telephone Company, on the public highway at Martin, Ohio, and it appearing from a personal inspection of the construction, by an inspector of this Commission, that the safety of the public requires the removal of said aerial construction,

It is ordered, That said The New Ottawa County Telephone Company be, and hereby it is, notified, directed and required, within thirty days from the date of this order, to remove the aerial crossing of the tracks of The New York Central Railroad Company by its wires on the public highway at Martin, Ohio, and if said lines are to be continued beyond said tracks, to pass the same by means of a proper underground crossing.

It is further ordered, That said The New Ottawa County Telephone Company report to this Commission its compliance with the provisions of this order.

January 10, 1919.

C. L. 87]

In re JOINT PETITION OF THE LICKING TELEPHONE COMPANY
FOR AUTHORITY TO ISSUE STOCK, ETC.

No. 1564.

Decided January 13, 1919.

**Issue of Stock for Acquisition of Property of Other Telephone Companies, and for Discharge of Indebtedness Incurred for Company's Organization, Authorized — Selling Companies
Authorized to Accept Stock and Hold Same
until Distributed among Stockholders.**

ORDER.

This day, after full hearing, due notice of the time and place of which was given to all parties in interest, this matter came on for final consideration upon the application of The Licking Telephone Company (a corporation organized and existing under the laws of Ohio) asking the consent and authority of this Commission to issue common capital stock of the total par value of \$217,150; \$212,150, par value thereof, to be delivered, \$33,900 to The Sunbury and Galena Telephone Company, \$53,750 to The Johnstown and Croton Telephone Company, \$40,000 to The Utica and Homer Telephone Company and \$84,500 to The Pataskala and Hebron Telephone Company, in full payment of the considerations for their respective properties, the purchase thereof, by said The Licking Telephone Company, having been duly consented to and authorized by the order this day made and entered in proceeding No. 1563, and the proceeds arising from the sale of \$5,000, par value of said stock, to be used to defray the expenses and costs incident to the organization of said The Licking Telephone Company, and the application, thereto joined, of said The Sunbury and Galena Telephone Company, said The Johnstown and Croton Telephone Company, said The Utica and Homer Telephone Company and said The Pataskala and Hebron Telephone Company to, respectively, accept and, for the present, hold said capital stock of The Licking Telephone

Company, and hereafter to distribute the same, pro rata, among their respective stockholders.

The Commission, being fully advised in the premises, finds from the pleadings herein and from the record made upon the hearing thereupon:

1. That the property and assets of said The Sunbury and Galena Telephone Company are, for the purposes of this proceeding, worth the sum of \$33,900, those of The Johnstown and Croton Telephone Company, \$53,750, those of The Utica and Homer Telephone Company, \$40,000, and those of The Pataskala and Hebron Telephone Company, \$84,500.

2. That The Licking Telephone Company has contracted indebtedness incident to its organization in the sum of \$5,000.

3. That the issue of all of said capital stock is reasonably required, and the money to be procured by the sale of \$5,000, par value, thereof is necessary for the acquisition of property, to be actually used and useful for the convenience of the public in the prosecution of applicant's corporate purposes and the payment and discharge of its lawful indebtedness.

4. That the service furnished the public will be improved by the acquisition of said capital stock of The Licking Telephone Company by its said co-applicants, and the public thereby will be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor,

and is satisfied that its consent and authority for the issue of said capital stock by said The Licking Telephone Company, and the acquisition and holding of \$212,150, par value, thereof by said other applicants, should be granted.

It is, therefore, ordered, That said The Licking Telephone Company be, and hereby it is, authorized to issue its common capital stock of the total par value of \$217,150, and that \$5,000, par value, thereof be sold for the highest price obtainable, but for not less than the par value thereof.

It is further ordered, That \$212,150, par value, of said capital stock be used, and the proceeds arising from the sale of \$5,000, par value, thereof expended for the following purposes and no others, to-wit:

(a) \$33,900, par value, of said capital stock to be issued as fully paid and at par, to The Sunbury and Galena Telephone Company;

\$53,750, par value, of said capital stock to be issued as fully paid and at par, to The Johnstown and Croton Telephone Company;

\$40,000, par value, of said capital stock to be issued as fully paid and at par, to The Utica and Homer Telephone Company, and

C. L. 87]

\$84,500, par value, of said capital stock to be issued as fully paid and at par, to The Pataskala and Hebron Telephone Company, in full and final payment of the considerations for their respective properties and assets, the purchase of which, by said The Licking Telephone Company, was duly consented to and authorized by order this day made and entered in proceeding No. 1563.

(b) The proceeds arising from the sale of \$5,000, par value, of said capital stock to be used to pay and discharge applicant's indebtedness, incurred and to be incurred, for and on account of its organization.

It is further ordered, That said The Licking Telephone Company make verified report to this Commission of the issue and disposition of its said capital stock, and the expenditure of the proceeds of the portion thereof to be sold, pursuant to the terms and conditions of this order.

It is further ordered, That the findings hereinbefore set forth as to value, rates, and service shall not be binding upon the Commission in any future proceeding involving such matters.

It is further ordered, That said The Sunbury and Galena Telephone Company, said The Johnstown and Croton Telephone Company, said The Utica and Homer Telephone Company and said The Pataskala and Hebron Telephone Company be, and hereby each of said companies is, authorized to accept and held until such time as it may distribute the same among its stockholders, the aforesaid capital stock of The Licking Telephone Company, of the respective par values prescribed in the third preceding section of this order.

January 13, 1919.

In re APPLICATION OF RECEIVERS, CENTRAL UNION TELEPHONE COMPANY, *et al.*, FOR THE APPROVAL OF RATES MADE IN PURSUANCE OF THE ORDER OF THE POSTMASTER GENERAL, No. 2495, PUTTING INTO EFFECT CERTAIN CLASSIFICATIONS OF TOLL SERVICE AND CERTAIN TOLL RATES, EFFECTIVE JANUARY 21, 1919.

Administrative Order No. 38.*

Decided January 16, 1919.

Authority to File Toll Rates and Toll Service Classifications Authorized by Postmaster General, Denied.

ADMINISTRATIVE ORDER.

The Commission having under consideration the schedules of rates, tolls, charges and classification, proffered for filing by the following telephone companies and identified as indicated: The Chesapeake and Potomac Telephone Company of West Virginia, Order No. 2495; Central Union Telephone Company, Supplement No. 30 to P. U. C. O. No. 1, Sheets 1, 2, 3, 4, 5, 6, 7 and 8; The Ohio State Telephone Company, P. U. C. O. Supplement No. 3, Sheets 1, 2, 3, 4, 5, 6, 7 and 8; The Cincinnati and Suburban Bell Telephone Company, P. U. C. O. No. 1, Section 22, First Revised Sheet 1, Original Sheets 2, 3, 4, 5, 6 and 7; which schedules carry new rates, tolls, charges and classifications governing the furnishing of long distance telephone service; and, having carefully examined the same and compared them with the schedules of said companies now on file and in effect for the same or a similar service, the Commission finds:

First, that said proffered schedules contain an entirely new classification of the service which ought not, in the

* On January 25, 1919, the Court of Common Pleas of Franklin County granted an injunction restraining The Ohio State Telephone Company from putting in effect for long distance intrastate service the schedule of toll rates and classifications prescribed by Order No. 2495 of the Postmaster General. On February 5, 1919, the same court granted similar injunctions against the American Telephone and Telegraph Company and The Cincinnati and Suburban Bell Telephone Company.

C. L. 87]

interest of the public, to be instituted without careful consideration, supported by evidence of the justness and reasonableness of the same.

Second, that said schedules do not comply with the requirements of the statute, in that they do not

“plainly state the changes proposed to be made in the schedule then (now) in force.”

Third, that the rates, tolls and charges carried in said proffered schedules are so greatly in excess of the rates, tolls and charges which are now being charged and collected for a similar service, as to be injurious to the business or interest of the public and ought not to be established and imposed without a satisfactory showing that said enormous increases are necessary and proper.

Fourth, that the rates, tolls, charges and classification carried in said proffered schedules do not appear to be based upon any investigation, figures or data showing that such increases are necessary to yield a proper return upon the investment of said companies in their properties used and useful in serving the public in the State of Ohio, but to be arbitrary and imposed for the purpose of creating a uniform standard of rates and charges throughout the United States without giving proper consideration to density of business and the varying conditions and circumstances peculiar to each locality, rather than for the purpose of yielding a just and reasonable return upon the investment.

Fifth, that the present toll rates of said The Ohio State Telephone Company and various other toll rates within the State, which are sought to be raised and superseded by rates carried in the proffered schedules, have been, heretofore, fixed by orders of this Commission in proceedings then pending and cannot, under the laws of Ohio, be advanced without a modification, upon proper application therefor, of said former orders, based upon a showing of the inadequacy of said former rates.

Sixth, that the rates, tolls and charges incorporated within said proffered schedules appear, upon their face, not to have originated with said telephone companies and

based upon data showing the necessity for greater revenue, but are made,

"Pursuant to Order No. 2495 of the P. M. G. of the U. S. * * dated December 13, 1918,"

which order cannot lawfully affect rates for intrastate service within the State of Ohio.

Seventh, that said proffered schedules do not comply with the provisions of the statutes of Ohio relating to the same, nor to the rules and regulations of The Public Utilities Commission of Ohio governing the construction and filing of schedules.

It is, therefore, ordered, That said schedules, so proffered by said The Chesapeake and Potomac Telephone Company, the Receivers of Central Union Telephone Company, The Ohio State Telephone Company and The Cincinnati and Suburban Bell Telephone Company, be, and hereby they are, rejected.

January 16, 1919.*

In re JOINT PETITION OF THE GALION TELEPHONE COMPANY
AND RECEIVERS, CENTRAL UNION TELEPHONE COMPANY
FOR CONSENT AND APPROVAL OF PURCHASE AND SALE.

No. 1008.

Decided January 23, 1919.

Order as to Rates to be Charged Subsequent to Consolidation Modified.

ORDER.

The Commission having heretofore, to-wit: on the fifth day of December, 1917, made and entered its finding and order† herein consenting to and authorizing the purchase and acquisition by said The Galion Telephone Company of the local exchange property of the Central Union Tele-

* On January 21, 1919, the secretary of The Ohio Public Utilities Commission, in a letter to American Telephone and Telegraph Company stated that the schedules showing the toll rates prescribed by Order No. 2495 were not in proper form and could not be accepted for filing by the Commission.

† See Commission Leaflet No. 73, p. 124.

C. L. 87]

phone Company and its Receivers, and, in so doing having determined and prescribed the rates, charges, tolls and rentals to be charged by said The Galion Telephone Company upon the completion of the unification of said properties and the provision of certain additions and extensions thereto, and said The Galion Telephone Company having, by supplemental application filed herein and the testimony adduced upon the hearing thereof, represented and shown to the satisfaction of this Commission that it will have fully completed the unification of said properties by the first day of February, 1919, and will, thereafter, vigorously prosecute the provision of said additions, extensions and improvements, and petitioned this Commission for such modification and amendment of said order of December 5, 1917, as will permit said The Galion Telephone Company to establish, upon said first day of February, 1919, said schedule of rates, charges, tolls and rentals so fixed and prescribed, as aforesaid, as the maximum rates to be maintained and imposed by said The Galion Telephone Company upon the unification and improvement of said properties, the Commission, being fully advised in the premises, and having due regard to the value of all the property of said company actually used and useful for the convenience of the public, is satisfied that the prayer of said supplemental petition should be granted.

It is, therefore, ordered, That the order,* made and entered herein as of date December 5, 1917, be, and hereby it is, modified and amended to provide that said The Galion Telephone Company be, and hereby it is, authorized to establish, maintain, impose and collect the rates, rentals, tolls and charges therein found and determined to be just and reasonable upon the unification and improvement of the property of itself and the Central Union Telephone Company, and its Receivers, upon and after the first day of February, 1919.

It is further ordered, That said The Galion Telephone Company be, and hereby it is, notified, directed and required to conclude the negotiations for and enter into the contracts

* See Commission Leaflet No. 73, p. 124.

for the needed materials and supplies for said additions and improvements as speedily as possible, to prosecute the installation and construction of the same with all due diligence and complete said work at the earliest possible date.

Dated at Columbus, Ohio, this twenty-third day of January, 1919.

In re APPLICATION OF C. H. WATSON *et al.*, FOR A CERTIFICATE
OF PUBLIC CONVENIENCE AND NECESSITY.

No. 1464.

Decided January 23, 1919.

**Public Convenience and Necessity Held not to Require Invasion of
Occupied Territory.**

ORDER.

This day, after full hearing, due notice of the time and place of which was given to all parties in interest, this matter came on for final consideration upon the application of C. H. Watson *et al.*, asking that a certificate issue, by this Commission, that the exercising of the permit, right, license or franchise of applicants, under the name of Senecaville Mutual Telephones, to construct and operate a telephone plant in and about the village of Senecaville, Guernsey County, Ohio, is proper and necessary for the public convenience.

The Commission, being fully advised in the premises, finds that the public within said territory is now being furnished reasonably adequate service by The Pleasant City Telephone Company, and that the public convenience does not now require the exercising of any such right, license, permit or franchise by another telephone company or system within the said territory.

It is, therefore, ordered, That said application be, and hereby it is, dismissed.

Dated at Columbus, Ohio, this twenty-third day of January, 1919.

OKLAHOMA.

Corporation Commission.

In re APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR PERMISSION TO INCREASE RATES AT AFTON AND OTHER SMALL EXCHANGES, AND FOR AN INFORMAL INVESTIGATION OF RATES IN ARDMORE AND OTHER LARGE PLACES.

Cause No. 3627.

Decided January 4, 1919.

**Increase in Rates Denied in View of Poor Service and Federal Control —
Officers of Company Considered Able and Faithful — Interest
• of Owners Presumed Safeguarded by Government —
Presumed that Postmaster General would Pro-
vide Rates to Take Care of Opera-
tions as a Whole.**

JOURNAL ENTRY.

The Southwestern Bell Telephone Company, doing a comprehensive telephone business in the State of Oklahoma, operating exchanges in cities and towns throughout the State of Oklahoma, and likewise operating long distance lines which extend to every part of the State of Oklahoma, filed herein its application for permission to increase rates at Afton and certain other of the smaller cities and towns of the State, and later on filed its application herein for an informal investigation of the exchange rates in the city of Ardmore, and several other of the larger cities and towns of the State.

The Commission observes that by virtue of Congressional action the Postmaster General of the United States has assumed control of the telephone systems of the country, including those operating in Oklahoma, and has promulgated certain regulations and established charges, in some instances, for service in the State of Oklahoma.

The Commission is of the opinion that the officers and managers of the Southwestern Bell Telephone Company, heretofore carrying on its business within this State prior to and since the business of the company was taken over by the government, have been able, competent and faithful, but shortage of help, and inexperience of a large per cent. of the help actually available, has materially reduced the standard of service, causing much dissatisfaction among the patrons of the company. This has been greatly aggravated by charges arbitrarily fixed by the Postmaster General, which were entirely out of proportion to the service rendered.

A new schedule of rates and a new line of experiments have been promulgated by the Postmaster General to take effect January 21. The result of these new rates and new rules cannot yet be determined. Some of the service now being rendered in this State is not worth the charge being collected therefor. In instances the rates in effect are doubtless not sufficient to pay the cost of efficient service and provide a reasonable return upon the investment. So long as the government exercises control of these properties it is presumed that the interest of the owners will be properly safeguarded and suitable returns upon their investment provided.

The validity of the federal law involved, and the scope of authority to be exercised thereunder, is as yet undetermined, but this Commission has refrained from any action which might be construed as tending to embarrass the government in its war measures.

Until such time as the courts, or the Congress, shall definitely fix the authority and responsibility for control of telephone operation, we assume that the Postmaster General will provide such rates as in his judgment will properly take care of their operation as a whole. So long as "better service and lower rates" is the slogan around which centers the propaganda served to the public, it would be very embarrassing to the Commission, and we believe unjust to

C. L. 87]

the public, to issue orders providing increased rates for poorer service.

The Commission finds that local and long distance telephone service in this State is generally unsatisfactory, and that charges should not be raised until the service is improved, and for said reason the applications involved herein are hereby dismissed.

Done in the regular order of business at Oklahoma City, Oklahoma, on this the fourth day of January, 1919.

STATE *ex rel.* S. P. FREELING, ATTORNEY GENERAL v. SOUTHWESTERN BELL TELEPHONE COMPANY.

Cause No. 3641 — Order No. 1535.

Decided January 20, 1919.

**Toll Rates, Toll Service Classifications, and Report Charges Authorized
by Postmaster General in Order No. 2495, Suspended
Pending a Hearing.**

ORDER.

Be it remembered that on this twentieth day of January, 1919, there came on for consideration complaint of the *State of Oklahoma ex rel. S. P. Freeling, Attorney General of the State of Oklahoma v. Southwestern Bell Telephone Company*, alleging that said company is proposing to charge, and is now charging, rates for toll and long distance business within the State of Oklahoma in excess of rates prescribed by the Corporation Commission of the State of Oklahoma, and in particular in Order No. 1378* of said Commission, and in violation of Order No. 101 of the Corporation Commission of the State of Oklahoma; and that said company is proposing to install, and is installing, practices and charges which are unfair, unreasonable, discriminatory, and in violation of the rules and regulations of the Corporation Commission of the State of Oklahoma, and in particular in violation of Order No. 101† of said Commis-

* See Commission Leaflet No. 76, p. 771.

† 2 C. T. C. 729.

sion; and is installing and putting into effect, and has put into effect, what is known as a "report charge," which charge is discriminatory, unreasonable, unwarranted and illegal.

Complainant shows the Commission that the rates and practices now about to be put into effect by defendant, the Southwestern Bell Telephone Company, are excessive, unreasonable, discriminatory and illegal, and if installed and collected will work an irreparable injury to the people of the State of Oklahoma and the patrons of the said Southwestern Bell Telephone Company.

Wherefore, premises considered, and the Commission being advised,

It is, therefore, ordered, That the defendant, the Southwestern Bell Telephone Company, shall refrain from installing charges greater than and in excess of or different from those rates and charges prescribed in said Order No. 1378* of the Corporation Commission and now in effect, and that said defendant shall desist from collecting or attempting to collect any charges for toll or long distance business within the State of Oklahoma in excess of rates prescribed by this Commission and in particular set forth in said Order No. 1378;* and that said defendant shall refrain and desist from installing or putting into effect arrangements or practices for toll or long distance business different from those now in effect, and shall, in particular, refrain from installing and putting into effect what is known as a "report charge."

It is further ordered, That this matter shall be set down for further hearing and trial at 10:00 o'clock A. M., February 11, 1919, in the hearing room of the Corporation Commission in the State Capitol, Oklahoma City, Oklahoma.

Done at Oklahoma City, Oklahoma, the day and date first mentioned herein.

January 20, 1919.†

* See Commission Leaflet No. 76, p. 771.

† On February 11, 1919, for violation of the above order by charging the toll rates prescribed by the Postmaster General, the Corporation Com-

C. L. 87]

D. F. GORE v. SOUTHWESTERN BELL TELEPHONE COMPANY.

Cause No. 3649 — Citation No. 830.

Decided January 24, 1919.

**Telephone Company Ordered to Show Cause Why Fine Should not be
Assessed Against it for Violation of Commission's Order by
Putting into Effect Toll Rates Prescribed in Order
No. 2495 of the Postmaster General.**

CITATION.

To the Southwestern Bell Telephone Company:

You are hereby notified that information has been filed in the office of the Corporation Commission by D. F. Gore, Tulsa, Oklahoma, alleging that you have violated Commission's Orders No. 101 and No. 1535 in that:

"On the twenty-first day of January, 1919, it put into effect certain rules, regulations and schedules of charges as prescribed and formulated by Postmaster General Burleson. That on said twenty-first day of January, 1919, said telephone company refused to take and put through a telephone call, which was placed with said company by this complainant, for an individual at Oakhurst, Oklahoma; that said company refused to furnish this complainant a report on a telephone call, which this complainant had placed with said telephone company, for an individual at Muskogee, Oklahoma, without charging for said report; that said telephone company based its refusal to put through the call in the first instance, and to make or give a report on call without charge for said report, in the second instance, upon the fact that it had put into effect the said rules, regulations and charges above referred to."

Copy of information duly verified by the said D. F. Gore is attached hereto.*

You are, therefore, notified to appear before the Corporation Commission of Oklahoma, in its hearing room in

mission imposed on the Southwestern Bell Telephone Company a fine of \$11,000, \$500 per day from January 21, 1919, when the rates were put into effect until February 11, 1919, when the fine was imposed. The order provided that the penalty of \$500 per day should continue as long as the rates fixed in Order No. 2495 were continued in effect, but that if the company went back to the old schedule all fines except for the first day would not be enforced. An appeal has been taken to the Supreme Court of Oklahoma.

* Omitted.

the State Capitol, at Oklahoma City, Oklahoma, at 10:00 o'clock A. M. on the eleventh day of February, 1919, and show cause why fine should not be assessed against you as is provided by the constitution and laws of the State of Oklahoma.

In witness whereof, we have hereunto set our hands and caused to be affixed the seal of the said Commission on this the twenty-fourth day of January, 1919.*

* On February 5, 1919, citations were issued in the following cases alleging violation of the Commission's orders through the charging of the toll rates prescribed in Order No. 2495 of the Postmaster General:

Bleuler v. Southwestern Bell Telephone Company. Citation No. 832.
Youngblood v. Southwestern Bell Telephone Company. Citation No. 833.
Gibbons v. Southwestern Bell Telephone Company. Citation No. 834.
Lemar v. Southwestern Bell Telephone Company. Citation No. 835.
Bell v. Southwestern Bell Telephone Company. Citation No. 838.
Roberts v. Southwestern Bell Telephone Company. Citation No. 839.
Jones v. Southwestern Bell Telephone Company. Citation No. 841.

OREGON.

Public Service Commission.

In re APPLICATION OF THE TILLAMOOK COUNTY MUTUAL
TELEPHONE COMPANY FOR AUTHORITY TO INCREASE
RATES.

U-F-200 — Order No. 481.

Decided December 26, 1918.

Increase in Rates Authorized — Reserve for Depreciation Ordered Established.

Applicant sought authority to increase its rates.

The Commission found that the fair present value of applicant's property, for rate-making purposes, was \$26,000, that under the present rates the operating revenues would be \$6,720, and that operating expenses for 1919 would be not less than \$7,250, exclusive of capital charges and debt obligations, but including a fair allowance for reserve for depreciation, maintenance, taxes, franchise requirements and uncollectible revenues.

Held: That as the schedule proposed by the company did not provide a classification of service sufficient in extent to meet, without unfair discrimination, the demand of a business of the character and magnitude of that of the applicant, it would not be approved but instead the schedule of rates found by the Commission to be just, reasonable and not unjustly discriminatory should be authorized;

That in addition to current minor repairs not to be classified as replacements, applicant should provide for the accumulation of a fund for replacements due to depreciation now accruing. To this reserve for depreciation there should be placed each year the amount of \$1,100;

That applicant should keep its accounts in such manner as would readily show for each year the following items: exchange operating revenues, toll operating revenues, other operating revenues, operating expenses and repairs, reserve for depreciation of plant and equipment, taxes, uncollectible operating revenue, interest and dividends.

FINDINGS AND ORDER.

This proceeding is before the Commission upon the application of the Tillamook County Mutual Telephone Company for authority to increase its rates, alleging in support of

its petition that it does not operate for profit, and that material, supplies and operating expenses have so increased that it can no longer continue to serve the public at the present rates.

After due and legal notice had been served, this matter was fully heard and submitted before the Commission at Tillamook, Oregon, on August 24, 1918, with appearances entered as follows: for Tillamook County Mutual Telephone Company, *George P. Winslow*, its attorney.

No appearances were entered by anyone representing the patrons of the company, and no testimony was offered in opposition to the application.

The Tillamook County Mutual Telephone Company is a corporation organized and existing under and by virtue of the laws of the State of Oregon. It is engaged in the ownership, management, control and operation of telephone exchanges and lines in Tillamook County, Oregon, for the conveyance of telephone and telegraph messages to and for the public, and in such occupation is a public utility subject to the jurisdiction of the Public Service Commission of Oregon, and to the provisions of Chapter 279 of the General Laws of Oregon for 1911, and laws supplementary thereto and amendatory thereof.

The Tillamook County Mutual Telephone Company was organized August 27, 1908, and established its first service in December of the same year. The system now operated consists of exchanges at Tillamook and Beaver, with inter-connecting circuits and lines for the service of the two communities and extensive rural territory adjacent thereto. The operation of the system is in direct competition with that of The Pacific Telephone and Telegraph Company. From the system of bookkeeping used by the applicant it is impossible to determine the actual cost of the property, or an exact division of the expenditures between operating and capital accounts. Testimony introduced at the hearing indicates that to reproduce the property in normal, new and usable condition would require the sum of approximately

C. L. 87]

\$33,500, and that the deduction of accrued depreciation will reduce the amount to \$21,500. It is quite likely that the actual original expenditure incurred in the construction of the property was considerably less than the estimated reproduction cost, although the latter is based upon normal pre-war conditions. This seems to have resulted, as is usual, in the early development of mutual or cooperative companies, to a great extent from the cooperation of stockholders and others in furnishing labor and certain materials at abnormally low cost. This method of construction is not now available normally, and results accomplished by it are not in themselves alone a fair indication of value. A considerable share of the property has been constructed from earnings. Only \$4,750 of the authorized capital stock of \$5,000 has been issued and paid up, and the remaining obligations of the company consist of a \$5,000 mortgage and a \$1,750 note. Cash was received in consideration for the transfer of both stock and notes.

The applicant does not contend for a fair return upon the entire value in its property, but desires that its revenues be made sufficient to meet operating expenses and fixed charges upon such indebtedness as it may now have. The value of the system is therefore only for secondary consideration to this investigation, but in accordance with the provisions of Chapter 279 of the Laws of Oregon for 1911, and after due consideration of all pertinent factors, the amount upon which the applicant might be reasonably entitled to expect a return will be placed at \$26,000.

Service is given from 6 A. M. to 10 P. M., with provision made for the answering of emergency calls at night without extra charge. The operation of each exchange is accomplished by working only two operators. Living quarters for one operator are supplied in each instance as a part of her remuneration, in order that continuous attendance may be had in case calls at night are necessary.

The tabulation herewith shows the company's patronage of 500 subscribers, classified as it existed at the date of the hearing:

CLASSIFICATION OF SUBSCRIBERS.

<i>Class</i>	<i>Parties</i>	<i>Number of Sub- scribers</i>	<i>Stock- holders</i>	<i>Non- stock- holders</i>
TILLAMOOK EXCHANGE				
City, business	1	18	3	15
City, business	2	31	8	23
City, business	3	17	5	12
City, business	4	24	9	15
City, residence	1	5	.....	5
City, residence	2	15	2	13
City, residence	3	13	4	9
City, residence	4	20	3	17
City, residence	5	20	2	18
City, residence	6	18	1	17
Rural, residence	5	10	3	7
Rural, residence	7	21	6	15
Rural, residence	8	16	2	14
Rural, residence	9	18	2	16
Rural, residence	10	10	4	6
Rural, residence	11	33	8	25
Rural, residence	12	48	9	39
Rural, residence	13	39	9	30
Rural, residence	14	28	7	21
Rural, residence	15	15	5	10
BEAVER EXCHANGE				
Residence	1	2	1	1
Residence	2	2	2	.....
Residence	3	3	3	.....
Residence	5	5	.....	5
Residence	6	12	2	10
Residence	8	8	1	7
Residence	11	11	2	9
Residence	12	12	3	9
Residence	13	26	11	15

The monthly revenue available from these subscribers under the present rates, together with a small amount accruing from toll service, will amount to approximately \$560. This business if continued should produce an annual operating revenue of \$6,720.

Examination of the company records shows that there was expended in 1917 approximately \$7,050, which included interest and principal payments on company indebtedness, and also the cost of minor extensions and additions to capital accounts. Analysis indicates that if adequate serv-

ice is maintained, and if all reasonable operating requirements are fairly met, the operating expenses for 1919 may be conservatively expected to be not less than \$7,250, exclusive of capital charges and debt obligations, but including a fair allowance for depreciation, maintenance, taxes, franchise requirements and uncollectible operating revenues.

It is contemplated under this estimate that the company will, as is necessary, meet required increases in operators' and linemen's wages and provide for the better maintenance of the system in general. Although no definite classification has as yet been prescribed for the accounts of this company, it should provide for the accumulation of a fund for replacements due to depreciation now accruing. It is estimated that the amount of \$1,100 per year, in addition to current minor repairs not to be classified as replacements, will be sufficient for this purpose. This amount should be credited to a reserve account each year and charged to operating expense, and such monies as are available therefor should be set aside in a depreciation reserve fund, to be expended only as provided by Chapter 279 of the Laws of Oregon for 1911.

In view of the above circumstances, and the fact that the present rates are low in comparison to others generally effective throughout the State for service under similar conditions, it is readily determined that an increase should be granted in order that adequate service may be given and sufficient revenue obtained to meet expenses and fixed charges.

The schedule proposed by the company does not provide a classification of service sufficient in extent to meet, without unfair discrimination, the demands of a business of this character and magnitude, and will not be approved. Instead, the following schedule of rates is found to be just and reasonable, and not unjustly discriminatory, for the Tillamook County Mutual Telephone Company to charge for the service which it gives:

Business Service:

	<i>Per Month</i>
Individual line, unlimited service.....	\$2 50
Two-party line, unlimited service.....	2 00
Four-party line, unlimited service.....	1 75
Suburban service, party line.....	1 75

Residence Service:

Individual line, unlimited service.....	2 00
Two-party line, unlimited service.....	1 50
Four-party line, unlimited service.....	1 25
Suburban service, party lines.....	1 25

These rates contemplate the maintenance of batteries by the company, and are to be applied irrespective of whether the subscribers are or are not stockholders in the company.

In view of the foregoing findings and the entire record in this case,

It is, therefore, ordered, That the applicant, Tillamook County Mutual Telephone Company, be, and the same hereby is, authorized to increase its rates to those hereinbefore found to be just, reasonable, and not unjustly discriminatory.

Immediately upon its establishment of these rates, the company shall file, according to law and the requirements of this Commission, a tariff or tariffs in which shall be published the rates to become effective, and a copy of which shall be posted in each of the company's exchanges for the information of the public.

The applicant shall in every other way conform its operations to the findings entered herein, and shall hereafter keep its accounts in such manner as will readily show for each year the following items: exchange operating revenues, toll operating revenues, other operating revenues, operating expenses and repairs, depreciation of plant and equipment, taxes, uncollectible operating revenue, interest, and dividends.

A reasonable date for this order to become effective is January 1, 1919.

Dated at Salem, Oregon, this twenty-sixth day of December, 1918.

In re APPLICATION OF THE HOME INDEPENDENT TELEPHONE
COMPANY OF LA GRANDE TO REVISE RATES.

U-F-222 — Order No. 488.

Decided January '31, 1919.

**Increase in Toll and Exchange Rates Authorized — Toll and Exchange
Lines Not Considered as a Unit — Effect of War Time and Recon-
struction Period Conditions Considered — Toll Rates Prescribed
by Postmaster General in Order No. 2495 Not Made Effec-
tive as Result Would be to Reduce Further Applicant's
Present Inadequate Toll Revenues.**

Applicant sought authority to increase both its local exchange and toll rates.

Held: That although prior to the date of the hearing set for this case the property involved had passed into the control of the Postmaster General for the United States Government, nevertheless, as the company had authority from the Postmaster General to proceed with this case, the Commission would decide upon the application without regard to the present control of the property, and in view of the probable early return to private operation, would consider the property as a unit designed and developed to meet the requirements and particular local conditions of the territory served by it, and would not enter into any discussion or investigation whatsoever of any agreement which might have been proposed or entered into between the government and the company in connection with the compensation to be received by the company during the period of government control;

That after consideration of all the facts including the cost to the present owners, the estimated reproduction cost new, the accrued depreciation, the general financial condition of the property and its existence as a whole with a well developed business attached and the possessor of working capital sufficient to permit the ready and efficient operation of the business, the fair value for rate-making purposes of the property of the applicant, used and reasonably necessary in the service of the public, was on August 1, 1918, the sum of \$286,587.95; and of this total rate base \$103,247.29 was directly assignable to toll lines and \$183,340.66 to the local exchange division;

That the present owners of the property had suffered no great loss on account of their investment, as some return had been realized on their actual outlay for several years, and since June 30, 1913, dividends at the rate of 6 per cent. per annum had been regularly paid upon the capital stock outstanding in addition to the interest accrued upon the outstanding indebtedness, and on the first day of August, 1918, there had been also accumulated a surplus of \$23,850.72;

That for the year 1918, the operating income available for interest and dividends, estimated upon eleven months' actual operation, was approximately 3.7 per cent. upon the actual fair value or rate base of \$286,587.95; that the toll business at best barely met the cost of operation and the low return on the whole property was due principally to the fact that from toll service revenue there was not available a fairly proportionate share of income to pay any considerable return upon the value properly assignable to that service; that upon the exchange property alone the return for 1918, estimated as above, was approximately 5½ per cent.;

That conditions existing in 1918, especially in the latter part thereof, had caused material increases in expenses which had been partially met by the company by a close restriction of expenditures to the more essential work, but the probable continuance of the existing high costs of labor and material for some time in the immediate future, taken with the fact that in the maintenance of adequate service further restriction of some expenses could not be accomplished, confronted the operators of the property with the necessity of obtaining more revenue if its credit was to be preserved in such manner as to enable it, as an independent unit, to meet readily the continuing and increasing demands from the public for adequate service;

That the applicant, with all others, must expect to share with its patrons the temporary burden of sacrifice imposed upon it by the developments accompanying the war preparations, which burdens, of necessity, might be expected to continue with only gradual diminution during the reconstruction period, but it could not be expected of this company that it forego return to such an extent as to restrain effectually its ability to provide for the reasonable demands of the public in the development and extension of the project;

That conditions existing during the present continuing stringency justified increases in rates for both the toll and exchange services, and such schedules of rates would be authorized as would sufficiently protect the interests of the public and the company for the present, and such as might be expected to yield, after the resumption of normal conditions, a reasonable return on the property values involved;

That as the revenues from applicant's toll business had not been sufficient to meet expenses, reserve for depreciation and taxes, and yield an appreciable return upon the property values hereinbefore assigned to the toll business, it would not be fair to combine the entire system of the company, central exchanges and interconnecting lines, as a unit, for the purpose of providing a return upon the total values thereof by an adjustment of rates in which the relative earnings of the two divisions — toll and exchange — were not separately taken into consideration. Although it was undoubtedly advantageous for the entire community, including the local subscribers of the several exchanges, that the company should develop a general and far-reaching telephone service over toll lines, nevertheless,

C. L. 87]

as the direct benefit derived would vary so widely with the use of the toll system by individuals, the cost of toll service should be borne primarily by the patrons making use of it; therefore, the exchange rates fixed by the Commission were not designed to carry the burden of the less profitable toll lines;

That it was impossible at present to establish toll rates which would produce a fair return on the value of the toll property, in addition to necessary expenses, taxes and an allowance for reserve for depreciation, but such increases must be authorized as would permit and induce a full development of toll traffic, and at the same time provide reinforcement to the income from the toll portion of the applicant's operation;

That the toll rates prescribed by the Postmaster General in Order No. 2495 were quoted for nation wide application, and contained many departures from the practices established in the State of Oregon through years of toll system development; that being designed for nation wide application, these toll rates could not take into consideration the requirements and particular local conditions surrounding this class of business, attached to each of the small subdivisions of the country wide combination of long distance rates; that some of the principles underlying the toll rates prescribed by the Postmaster General were admirable, but the application of the rates would cause a material decrease in the applicant's already unreasonably low income; that the earnings on applicant's toll property, the possibility for further development of this service, the present condition of applicant's equipment and the particular conditions affecting this system, neither demanded nor would permit the experiment, during the short period of government control, with the radical changes proposed by the Postmaster General for nation wide application;

That applicant should be authorized to put into effect the schedule of toll and telegraph rates proposed by it, said schedule being based on air line mileage measurement between stations or groups of stations, each station or group of stations to be known as a block, the initial rate between any two blocks to be a 5-cent terminal charge plus $\frac{3}{4}$ of a cent per mile of air line distance between the two blocks, this initial rate to cover a period of two minutes or less conversation, and the rate for each additional minute to be 50 per cent. of the initial rate.

FINDINGS AND ORDER.

The proceeding here before the Commission is upon the application of the Home Independent Telephone Company, of La Grande, for authority to revise its rates for both local exchange and long distance telephone service throughout the territory served by it in Union and Wallowa Counties. After due and legal notice had been given this matter came

on for public hearing before the Commission on October 2, 1918, in the city of La Grande, and on October 4, 1918, in the city of Enterprise.

Prior to the date of hearing set for this case the property involved passed into the control of the Postmaster General for the United States Government. Inasmuch as the company, by general instruction issued by the Postmaster General, had authority to proceed with this pending rate case before the Commission, we are constrained to decide upon the application without regard to the present control of the property. In view of the probable early return to private operation, the Commission will consider the property as a unit designed and developed to meet the requirements and particular local conditions of the territory served by it, and will not enter into any discussion or investigation whatsoever of any agreement which may have been proposed or entered into between the government and the company in connection with compensation to be received by the latter during the period of control.

Appearances: for the Home Independent Telephone Company, *Cochran and Eberhard*, its attorneys; *E. T. Busselle*, engineer.

No appearances were entered by anyone representing the various communities served or the patrons of the company, and no testimony was offered in opposition to the application.

The Home Independent Telephone Company is a corporation organized in January, 1907, and existing under and by virtue of the laws of the State of Oregon. Its principal place of business is in La Grande, Oregon, and it is normally engaged in the ownership, management, control and operation of a system of telephone equipment and circuits for the furnishing of a general public telephone and telegraph service in Union and Wallowa Counties. In this occupation the applicant is a public utility subject to the jurisdiction of the Public Service Commission of Oregon and to the provisions of the public utility laws of this State.

L. 87]

The system operated by this company consists of principal central exchanges in La Grande, Union, Wallowa, Lostine, Enterprise and Joseph, with lines interconnecting these cities and the following communities: Perry, Island City, Alicel, Imbler, Summerville, Elgin, Hot Lake, Cove, Telocaset, Medical Springs, Miniam, Wallowa Lake, Innaha, Fruita, and Flora. In addition the company serves extensive outlying sections by means of its rural lines and other lines owned and maintained by the farmers.

The property as it now exists is the culmination of consolidated plants originally developed by the Vergere Telephone Company, the immediate predecessor of the applicant, and by what is now The Pacific Telephone and Telegraph Company. The Vergere Telephone Company property was taken over upon the organization of this company in 1907, and in 1911 in order to extend its service and supply its patrons with long distance service the applicant purchased all local exchanges and connecting toll lines of The Pacific Telephone and Telegraph Company in Union and Wallowa Counties.

The capital stock of this company consists of an authorization of \$100,000, common, of which on August 1, 1918, \$79,140 had been issued and was actually outstanding against the assets; \$37,500 was issued in exchange for the property of the Vergere Telephone Company, the remainder was issued for cash and services rendered, including an amount slightly in excess of \$4,000, given as commissions for sale of stock. This last named item amounts to 5 per cent. of the total issue. The actual value of the common stock above noted is not determinable from the record.

The funded debt of the applicant consists of first and refunding mortgage 5 per cent. gold bonds issued April 1, 1911, and running for ten years. This indebtedness was authorized to the extent of \$125,000, and on August 1, 1918, \$105,000 was actually issued and outstanding. Cash was received for this issue, with the exception of \$30,000 transferred to The Pacific Telephone and Telegraph Company as consideration for property purchased. Other indebted-

ness on that date consisted of notes and bills payable amounting to \$8,000.

Comparative general balance sheet and income accounts have been extracted from the annual reports of the company and exhibits in this case. Statements including these accounts are attached herewith, and show for a period of years the development of applicant's assets and liabilities and the general financial results of its operations.

COMPARATIVE GENERAL BALANCE SHEET.

	June 30, 1915	June 30, 1916	December 31, 1916	December 31, 1917	August 1, 1918
Fixed capital installed prior to January 1, 1912.....			\$180,180 40	\$180,180 40	
Fixed capital installed prior to December 31, 1911.....	\$220,226 20	\$226,352 45	41,231 75	52,219 29	
Construction work in progress.....			318 78	617 75	\$250,563 79
Cash and deposits.....	5,606 49	3,644 74	2,684 14	1,308 35	1,959 76
Bills receivable.....			30 00		
Due from subscribers and agents.....		1,661 70	923 45	1,502 56	2,504 42
Miscellaneous accounts receivable.....	39 11				
Material and supplies.....		3,174 19	2,940 11	2,737 88	8,106 32
Other current assets.....					
Sinking fund assets.....	9 01	143 43	143 43		*720 00
Unamortised debt discount and expense.....	2,062 21	2,096 74	1,455 86	1,231 87	1,126 67
TOTAL ASSET ACCOUNTS.....	\$227,943 02	\$237,073 25	\$238,916 92	\$248,807 10	\$264,982 96
Capital stock.....	\$79,460 00	\$79,430 00	\$79,480 00	\$79,140 00	\$79,140 00
Funded debt.....	103,500 00	108,000 00	108,000 00	106,500 00	105,000 00
Bills payable.....	10,250 00	4,000 00	1,500 00		8,000 00
Miscellaneous accounts payable.....	1,083 75	1,602 84	1,049 07	1,117 51	
Taxes accrued.....				289 22	610 80
Other accrued liabilities not due.....			1,387 50	1,368 75	
Reserve for accrued depreciation.....	16,000 00	25,199 48	32,150 25	43,962 94	48,381 44
Corporate surplus unappropriated.....	17,649 27	18,790 93	15,350 10	16,428 68	23,850 72
TOTAL LIABILITY ACCOUNTS.....	\$227,943 02	†\$237,073 25	\$238,916 92	\$248,807 10	\$264,982 96

* Marketable securities.

† A slight error is apparent.

COMPARATIVE INCOME STATEMENT.

	<i>Year Ended June 30, 1916</i>	<i>Year Ended December 31, 1916</i>	<i>Year Ended June 30, 1916</i>	<i>Year Ended December 31, 1916</i>	<i>Year Ended December 31, 1917</i>
Telephone Operating Revenues:					
Exchange service revenues...	\$40,954 07	\$40,481 92	\$41,418 87	\$42,939 56	\$47,893 88
Toll service revenues.....	10,585 88	11,160 09	12,268 79	14,161 37	16,931 94
Miscellaneous operating revenues.....	306 95	474 25	2,675 40	1,181 05	914 12
	\$51,846 90	\$52,116 26	\$56,363 06	\$58,281 98	\$65,739 94
Telephone Operating Expenses:					
Maintenance.....	\$16,338 53	\$16,459 54	\$19,240 11	\$20,795 69	\$23,501 55
Traffic.....	10,156 59	10,796 78	10,842 40	11,362 95	13,544 22
Commercial.....		3,755 44		4,692 03	6,199 72
General and miscellaneous...	12,276 14	4,013 71	11,395 37	4,102 03	4,424 23
	*\$38,671 26	*\$35,125 47	\$41,477 88	\$40,952 70	\$47,669 72
TOTAL NET OPERATING REVENUES	\$13,175 64	\$16,990 79	\$14,885 18	\$17,329 28	\$18,070 22
Uncollectible operating revenues				\$142 66	\$707 47
Taxes assignable to operations..	\$2,438 88	\$2,758 75	\$3,061 13	\$2,964 60	3,140 00
OPERATING INCOME.....	\$10,736 76	\$14,232 04	\$11,824 05	\$14,222 02	\$14,222 75
Deductions from Gross Income:					
Rent deductions for telephone offices.....		\$2,410 00		\$2,364 00	\$2,389 00
Rent deductions for conduits, poles, etc.....		321 55		381 78	334 05
Rent deductions for equipment.....		436 01		347 87	328 56
Interest deductions for funded debt.....	\$5,087 50	5,412 50	\$5,292 91	5,592 91	5,332 70
Other interest deductions.....	859 89	571 11	632 08	448 12	103 29
Amortisation of debt discount and expense.....				103 99	103 99
NET INCOME TRANSFERRED TO PROFIT AND LOSS.....	\$4,789 37	\$5,080 87	\$5,899 06	\$4,983 35	\$5,631 16
Dividends paid on common stock, 6 per cent.....	\$4,751 40	\$4,757 40	\$4,757 40	\$4,757 40	\$4,752 90

* Slight errors are apparent.

An analysis of monthly operating results and an estimate of expenses and revenues for 1918, based upon a consideration of eleven months of actual operation, gives the following approximate income statement for that year:

ESTIMATED INCOME ACCOUNTS, 1918.

Telephone Operating Revenues:

Exchange service revenues.....	\$50,633 53
Toll service revenues.....	*15,212 70
Miscellaneous operating revenues.....	857 70
	<hr/>
	\$66,703 93

Telephone Operating Expenses:

Maintenance expenses	\$21,750 00
Traffic expenses	16,025 00
Commercial expenses	6,100 00
General and miscellaneous.....	4,250 00
	<hr/>
	\$48,125 00

TOTAL NET OPERATING REVENUES.....	\$18,578 93
-----------------------------------	-------------

Uncollectible operating revenues.....	\$625 00
Taxes assignable to operations.....	3,420 00

OPERATING INCOME	\$14,533 93
------------------------	-------------

Deductions from Gross Income:

Rent deductions for telephone offices.....	\$2,300 00
Rent deductions for conduits, etc.....	300 00
Rent deductions for equipment.....	305 00
Other deductions	†1,000 00

AVAILABLE FOR INTEREST AND DIVIDENDS.....	\$10,628 93
---	-------------

* Not including war tax on messages.

† Includes miscellaneous items and expenses not distributed until end of year.

Applicant submitted an estimate of expense for a twelve-month period based upon conditions existing as of August 1, 1918. This estimate, including all operating expenditures, taxes, contributions and other miscellaneous items except depreciation, totals \$55,901.16. Analysis of operations during the past two years, and the testimony submitted, indicates that expenditures during 1918 were curtailed

C. L. 87]

somewhat by abnormal circumstances, and that if regular requirements of the service are met during the coming year the expense will be materially increased over the actual 1918 figures. It is apparent that recent and contemplated wage increases for operators and other employees, added to necessary resumption of normal maintenance work under prices not yet returned to normal level, will demand increased outgo of money during coming months.

As a part of the expenses of the company, and in accordance with the prescribed classification of accounts, there has been included a charge for depreciation of plant and equipment. The reserve to which these charges have been concurrently credited, and from which deductions are made from time to time on account of replacements and retirements of property, has grown to considerable proportions. On August 1, 1918, it amounted to \$48,381.44, approximately 17.5 per cent. of the estimated cost of reproduction of the depreciable portion of the property. The charges to expense for this item have been gradually increasing. In 1915 the figure was \$7,000, in 1916, \$12,250, in 1917, \$14,600 and in 1918, at the rate established during the first eleven months, \$12,600. Analysis shows that reduction of the reserve on account of credits for replacements, etc., has not been extensive during past years and it is natural that the rapid increase in the balance of the reserve naturally cannot be expected to continue as more extensive reconstruction is required. All things considered we believe that not more than \$12,500 per annum should be charged for depreciation on the capital installed as of August 1, 1918. While this amount is normal, it may be too great or too small, and its reasonableness can only be judged after sufficient time has elapsed to definitely determine the requirements made upon the reserve after current minor repairs have been taken care of through other expense accounts than that for depreciation of plant and equipment.

The past year has seen a considerable decline in the regular development of the company's business. The increase in revenue, exclusive of message war taxes during the year

1917 was \$7,018, whereas in 1918 the increase resulting from an estimate based upon eleven months' actual operation will be only \$1,404. The reduction has been due principally to conditions arising from war activities and the drain of men from this territory into service with the government. This abnormal restraint in the business cannot be expected to continue for a great length of time after the country as a whole begins to settle back into normal peace time pursuits and development.

With the exception of the cities of La Grande and Enterprise, where common battery equipment is operated, the company's service is given by means of magneto systems. As an indication of the magnitude of the business there is given herewith a statement showing the classification of subscribers' service installed and the total number of company and service stations.

SUBSCRIBERS' SERVICE INSTALLED AUGUST 1, 1918.

	<i>La Grande</i>	<i>Union</i>	<i>Willows</i>	<i>Lostine</i>	<i>Enterprise</i>	<i>Joseph</i>	<i>Total</i>
<i>Business Service:</i>							
Individual line.....	123	1	6	2	28	9	169
Two-party line.....	85	29	16	6	65	20	221
Four-party line.....	2	4	20	5	.....	17	48
Ten-party line.....	7	.....	.....	.....	.....	.....	7
<i>Residence Service:</i>							
Individual line.....	45	2	.....	.....	13	.....	60
Two-party line.....	53	.....	.....	.....	1	9	63
Four-party line.....	874	18	77	7	133	47	1,156
Eight-party line.....	.....	84	.....	.....	.....	.....	84
Rural party line.....	114	27	50	16	38	51	296
<i>Miscellaneous Service:</i>							
Private branch exchange...	153	.....	.....	.....	.....	.....	153
Auxiliary lines.....	14	.....	.....	.....	.....	.....	14
Pay stations.....	2	.....	.....	.....	.....	.....	2
Rural service stations.....	88	41	43	22	78	14	286
Business extensions.....	54	3	2	.....	13	1	73
Residence extensions.....	20	.....	.....	.....	.....	.....	20
Business extension bells.....	27	1	2	1	9	3	43
Residence extension bells.....	7	.....	1	.....	.....	.....	8
Rural extension bells.....	4	.....	.....	.....	.....	.....	4
Stations installed, company...	1,546	168	171	36	291	154	2,366
Stations installed, service.....	88	41	43	22	78	14	286

In support of its application for increased revenue on the ground that present rates have not been sufficient to produce a fair return upon the property in addition to operating expenses, the company had a special engineer

C. L. 87]

prepare and submit for record a report upon the property, showing in detail an inventory of all individual items, and in addition an estimate of the cost to reproduce new and the present value thereof. Prior to hearing in the case both the inventory and appraisal were made the subject of inspection by the engineering department of the Commission. The results of this independent investigation were made of record and testimony offered thereon by both company and Commission engineers. After a consideration of all figures presented and particular conditions affecting the estimates, we find that the normal reproduction cost new based upon costs not reflecting abnormal war conditions, and the reproduction cost less accrued depreciation, are as set out in the statement below.

The total cost to reproduce the whole property used and useful in public service, in new and usable condition under normal circumstances, is found to have been on August 1, 1916, the sum of \$274,587.49, and the reproduction cost less accrued depreciation to have been \$231,369.92 as of the same date. Two lots held by the company in La Grande as the prospective site of an exchange office building have been excluded as non-operating property. The company's estimate of reproduction cost on these lots was \$4,050 each. These figures include no allowances for additional value produced by the existence of a developed business attached to the property, nor has there yet been included any allowance for working capital, either in the form of material and supplies or cash, reasonably necessary to be held in readiness for the effective conduct of the business. These items will be considered in the value hereafter found for rate-making purposes. The amount of depreciation accrued would indicate that the property has reached a condition of stability insofar as physical maintenance is concerned. The composite per cent. condition of the entire system as indicated by the ratio of reproduction cost less depreciation and reproduction cost new is approximately 85 per cent. With a continuation of normal repair and addition this general condition might be reasonably expected to be fairly constant.

Since August 1, 1916, the investment in the system has been increased by the accumulation of net additions and betterments which have been drawn from the record, and are also shown in a statement following herewith. Not included in the additions so shown is a parcel of land in the town of Wallowa used by the company as the site of its exchange office buildings. For financial reasons a mortgage on this land is held by one of the directors, although it is guaranteed by the company. This real estate has been added by the Commission to the findings of value to be shown further on in this decision, at a value of \$2,500.

**REPRODUCTION COST NEW AND LESS DEPRECIATION.
OPERATING EXCHANGE AND TOLL PROPERTIES, AUGUST 1, 1916.**

Account	Exchange Property		Toll Property	
	Reproduction Cost New	Reproduction Cost New Less Depreciation	Reproduction Cost new	Reproduction Cost New Less Depreciation
200 Intangible capital	\$4,472 22	\$4,472 22	\$1,492 67	\$1,492 67
207 Right of way	4,798 00	4,798 00	13,550 00	13,550 00
210 Land and buildings	251 94	241 86		
220 Central office equipment	11,556 81	9,157 13	137 40	105 80
230 Station equipment	33,739 86	26,813 04	1,003 85	766 22
241 Exchange pole lines	42,035 43	33,008 73		
242 Exchange aerial cable	11,772 71	10,064 07		
243 Exchange aerial wire	28,304 77	23,999 26		
244 Exchange underground conduits	1,711 53	1,521 39		
245 Exchange underground cable	2,032 96	1,840 96		
251 Toll pole lines			43,876 86	35,666 39
253 Toll aerial wire			39,416 18	34,007 22
255 Toll underground cable			18 70	16 27
260 General equipment	7,245 86	5,497 67		
268 Interest during construction	4,520 82	4,035 64	1,411 25	1,295 50
270 Undistributed construction expenditure	14,132 52	12,535 89	7,105 15	6,518 70
	\$166,575 43	\$137,985 86	\$108,012 06	\$93,418 77

APPLICATION OF HOME INDEPENDENT TEL. Co. 1101

C. L. 87]

ADDITIONS AND BETTERMENTS.
AUGUST 1, 1916 TO AUGUST 1, 1918.

<i>Account</i>	<i>Exchanges</i>	<i>Toll</i>	<i>Total</i>
210 Land and buildings.....	\$3,832 85		\$3,832 85
212 Buildings.....	281 85		281 85
220 Central office.....	5,000 53		5,000 53
230 Station equipment.....	5,436 61	\$32 41	5,469 02
241 Exchange pole lines.....	1,848 22		1,848 22
242 Exchange aerial cable.....	919 04		919 04
243 Exchange aerial wire.....	4,633 56		4,633 56
244 Exchange underground conduit.....	147 64		147 64
245 Exchange underground cable.....	136 50		136 50
253 Toll aerial wire.....		88 29	88 29
255 Toll underground cable.....		14 82	14 82
260 General equipment.....	725 40		725 40
261 Office furniture and fixtures.....	33 00		33 00
270 Undistributed construction expenditure.....	842 50		842 50
TOTAL.....	*\$23,847 80	\$135 52	*\$23,983 32

* Slight errors are apparent.

No evidence is of record as to the value of the stock and bonds of the applicant, nor is there evidence sufficient to determine the actual original cost of the property, other than the reflection of the cost to present owners as shown by the balance sheet accounts.

In view of all findings hereinbefore set down, and after consideration of all facts therein presented, including the cost to present owners, the estimated reproduction cost new, the accrued depreciation, the general financial condition of the property, and its existence as a whole with a well developed business attached and the possessor of working capital sufficient to permit the ready and efficient operation of the business, the Commission finds the fair value for rate-making purposes of the property of the Home Independent Telephone Company of La Grande, used and reasonably necessary in the service of the public, was, on August 1, 1918, the sum of \$286,587.95. Of the total rate base so determined, \$103,249.29 is directly assignable to toll lines, and \$183,340.66 to the local exchange division.

The present owners in this property have suffered no great loss on account of their investment. Some return has been realized on their actual outlay for several years,

and since June 30, 1913, dividends at the rate of 6 per cent. per annum have been regularly paid upon the capital stock outstanding in addition to the interest accrued upon outstanding indebtedness. On the first day of August, 1918, there had also been accumulated a surplus of \$23,850.72.

For the year 1918 the operating income available for interest and dividends, estimated upon eleven months' actual operations, is approximately 3.7 per cent. upon the actual fair value or rate base hereinbefore determined.

The company did not submit its evidence in such manner as to show separately the operating results of the local exchange and toll divisions. However, with past results as a basis, an analysis has been made of all accounts entering into the expense of both departments, and conservative estimates thereon readily indicate that the toll line business at best barely meets the cost of its operation, and that the low return on the whole property is due principally to the fact that from the long distance service revenue there is not available a fairly proportionate share of income to pay any considerable return upon the value properly assignable to it. Under the estimate so made the return for 1918 upon the exchange property alone is approximately 5½ per cent.

Conditions existing during 1918, especially in the latter part thereof, have caused material increases in expenses, which have been partially met by the company by a close restriction of expenditures to the more essential work. The probable continuance of the existing high costs of labor and material for some time in the immediate future, together with the fact that in the maintenance of adequate service further restriction of some expenditures cannot be accomplished, confronts the operators of this property with the necessity of obtaining more revenue if its credit is to be preserved in such manner as to enable it as an independent unit to meet readily the continuing and increasing demands from the public for adequate service. This applicant, with all others, must expect to share with its patrons the temporary burden of sacrifice imposed upon it by the developments accompanying the war preparations, which burdens, of necessity, may be expected to continue with only gradual diminution during the reconstruction period. It cannot be

C. L. 87]

expected of this company that it forego return to such an extent as to effectually restrain its ability to provide for the reasonable demands of the public in the development and extension of the project.

It is to be expected that rising expenses will be offset to some extent by increased revenue from both the exchange and toll services. Considering this and all other factors, it is our opinion that conditions existing during the present continuing stringency justify increases in rates for both departments. Such schedules will be authorized as in our judgment will sufficiently protect the interests of the public and the company for the present, and such as may be expected to yield, after the resumption of normal conditions, a reasonable return upon the property values involved.

In the proposed exchange schedules submitted with its application the company has in certain instances extended the classification of its service to include four-party business service lines and eight-party residence service lines. No testimony was offered in support of such classification in the particular cases, and no reasons now appear to the Commission for departing from a standard classification excluding these two groups. Additional classes may be added to those specified by the Commission, if necessary for the best development of the service or if any particular local conditions require them. Such additional rates may be made effective after approval by the Commission.

We believe that in some instances the exchange rates of the schedule advanced in the application of the company are higher than are necessary to retain the property in sound financial condition and produce for it, as its business resumes a normal rate of development, a fair return.

As already pointed out, it has been found by analysis of the expenses during 1918 that the revenues from the applicant's toll business have not been sufficient to meet expenses, depreciation and taxes, and produce an appreciable return upon the property value hereinbefore assigned to that business. We do not consider it a fair proposition to combine the entire system of the company, central exchanges and

interconnecting lines as a unit, for the purpose of providing a return upon the total value thereof by an adjustment of rates in which the relative earnings of the two divisions are not separately taken into consideration. Undoubtedly it is advantageous for the entire community, including the local subscribers of the various exchanges, that the company shall develop a general and far-reaching telephone service over toll lines, but the direct benefit derived varies so widely with the use of the toll system by individuals that the cost of long distance service should, we believe, be borne primarily by the patrons making use of it. The exchange rates found reasonable and hereafter set out are not designed to carry the burden of less profitable long distance operations.

In our opinion it is impossible at this time to establish toll rates which will produce a fair return on the value of toll property, in addition to necessary expenses, depreciation and taxes, but it is imperative that such increases be authorized as will permit and induce a full development of long distance traffic, and at the same time provide reinforcement to the income from this portion of the applicant's operations.

Although not of record in this particular case, we feel it our duty to refer briefly herein to the toll rates published by the Postmaster General of the United States in his Telegraph and Telephone Service Bulletin No. 22, Order No. 2495, issued December 13, 1918, and ordered by him to become effective on January 21, 1918. The rates therein quoted were for nation wide application, and contain many departures from practices established in this and other states through years of long distance service development. Being designed for nation wide application, the schedules could not, and in fact do not, take into consideration the requirements and particular local conditions surrounding this class of business, attached to each of the small subdivisions of the country wide combination of long distance lines. Some of the principles underlying the rates advanced by the Postmaster General are admirable, and we do not wish to be placed in the position of indiscriminately con-

C. L. 87]

demning those features. Such analysis as is for us now possible indicates that the application of the rates would cause a material decrease in the company's already unreasonably low income from toll lines. In our opinion the earnings of this portion of the property now under consideration, the possibility for further development of this service, the present condition of the company's equipment, and in general the particular conditions affecting this system, neither demand nor will permit the experiment, during a short period of government control, with the radical changes proposed by the Postmaster General for nation wide application.

Following its own initiative in the question of charges for distance messages and telegraph service, the company submitted with its application a proposed schedule of rates based upon the direct air line mileage measurement between stations, or groups of stations in certain instances. Each station or group of stations, as it may be, is known as a block, the initial rate between any two such blocks being a 5-cent terminal charge, plus $\frac{3}{4}$ of a cent per mile of air line distance between the two. The period covered by the initial rate is the first two minutes or less of conversation, and for each additional minute or fraction thereof a rate is applied equivalent to 50 per cent. of the initial rate. The exact effect of these rates upon the revenues of the company cannot be shown, although it appears that a fair increase will result. The Commission will authorize the establishment of the toll and telegraph rates as submitted, and will retain jurisdiction to take further action if the schedules do not within a reasonable time produce desired results.

With its application the company also submitted a schedule of general rules and regulations relative to its rates and service. No objection having been interposed, and it not appearing at this time that they are unreasonable or liable to unduly burden the patrons of the company, these rules and regulations with minor modifications will be authorized to be put into effect as hereinafter set out. The company shall be allowed to continue its present practices insofar as they do not conflict therewith.

In view of the entire record, the foregoing findings, and all facts pertinent to an equitable determination in this case, it is now found that the following rates, tolls, charges and regulations are just, reasonable, and not unjustly discriminatory for the Home Independent Telephone Company to establish for the services specified:

EXCHANGE SERVICE RATES.

	*La Grande	†Island City	Enter-prise	Union \$Wal- lowa ‡Lostine Joseph	§Imnaha
<i>Business Service:</i>					
Individual line.....	\$4 00	\$5 50	\$3 50	\$3 00	.....
Two-party line.....	3 50	4 50	3 00	2 50	.....
Ten-party line, suburban, central selective signalling.....	3 25	.....	.....	.....	.....
Rural party line, line and equipment owned by company.....	2 50	.....	2 50	2 00	.....
Farmer line, equipment and line to city limits owned by subscribers.....	1 60	.....	1 00	75	\$0 50
Extensions, wall or desk type.....	1 00	1 00	1 00	1 00	.....
<i>Residence Service:</i>					
Individual line.....	2 75	.....	2 50	2 25	.....
Two-party line.....	2 25	2 75	2 00	1 75	.....
Four-party line.....	1 75	2 25	1 75	1 50	.....
Ten-party, suburban, central selective signalling.....	2 25	.....	.....	.....	.....
Rural party line, line and equipment owned by company.....	2 00	.....	2 00	1 75	.....
Farmer line, equipment and line to city limits owned by subscribers.....	60	.....	60	50	25
Extensions, within same premises, without bell, wall type.....	50	50	50	50	.....
Extensions, within same premises, without bell, desk type.....	75	75	75	75	.....
Extensions, within same premises, with bells, wall type.....	65	65	65	65	.....
Extensions, within same premises, with bells, desk type.....	1 00	1 00	1 00	1 00	.....

Except where otherwise specified, rates apply to wall type telephones only. If desk or portable type instruments are desired an additional charge of 25 cents per month will be added.

* La Grande primary rate area includes communities or additions known as May Park and Fruitdale.

† Island City is suburban to La Grande exchange.

‡ Lostine primary rate area includes village of Evans, commonly known as Lostine Railroad Station.

§ On the Imnaha line — guaranteed toll station service will be installed at a rate of \$42.00 per year.

Under this rate the subscribers will be allowed free use of this isolated section of line between line terminals only.

C. L. 87]

SUPPLEMENTAL EXCHANGE RATE SCHEDULE APPLYING TO
ALL EXCHANGES.*Farmer Line Service:*

Where rate is quoted for service on farmer lines owned by the subscribers to the city limits, the company will furnish and maintain all necessary lines and equipment within the corporate limits of the city; the subscriber to furnish and maintain equipment and lines outside the corporate limits.

Where the subscribers own and maintain all equipment on any line to corporate limits, a minimum charge will be applied equal to that for five subscribers at the rate applicable to that line.

In any case where the subscriber owns and maintains a telephone instrument on lines owned and maintained by the company a rental of \$3.00 per year will be paid by the company for the use and maintenance of such equipment.

Public Pay Station Service:

All calls originating at prepayment public pay stations and intended for subscribers' stations within primary rate area, per call	\$0 05
All calls originating at prepayment public pay stations and intended for subscribers' stations on rural, suburban or farmers' lines of the same exchange, but beyond the exchange area boundary:	
Subscribers, per call	05
Non-subscribers, per call	10

PRIVATE BRANCH EXCHANGE SERVICE.

<i>Business Commercial Unlimited:</i>	<i>Per Month</i>
Regular switchboard with power circuit and one operator's set	\$5 00
Cordless switchboard, maximum equipment for 2 trunks and 4 stations	3 00
Cordless switchboard, maximum equipment for 3 trunks and 7 stations	4 00
First both-way trunk line, individual business line rate..	
Each additional both-party trunk line, individual business line rate less 50 cents.....	
Each station, primary or extension.....	1 00
Each station without building will take regular mileage rate.	

Contracts will not be accepted for less than 2 trunk lines and 4 stations, nor for a lesser period of time than three years.

A private branch exchange system shall not include more than one firm or individual. Each station shall be entitled to one listing in the directory.

[Ore.]

*Hotel Unlimited Service:**Per Month*

Switchboard with operator's set, power circuit, and not to exceed 15 drops	\$2 00
Each additional group of 5 drops or fraction thereof.....	20
First both-way trunk line, individual business line rate.	
Each additional both-way trunk line, individual business line rate less 50 cents.	
Stations without guests rooms, desk or wall.....	1 00
Stations within guests rooms, wall sets:	
First 10, inclusive, each.....	50
11 to 20, inclusive, each.....	45
21 to 35, inclusive, each.....	40
36 to 50, inclusive, each.....	35
51 and over, inclusive, each.....	25

For desk set in place of wall set, add 25 cents per month per station.

Contracts will not be accepted for less than three years, or for less than 2 trunk lines, and an additional trunk line over the first 2 is required for each additional 25 stations or fraction thereof, over the first 50.

A private branch exchange system shall not include more than one firm or individual.

Guests will be required to pay the extra listing rates for the directory listings.

PRIVATE BRANCH INTERCOMMUNICATING.

Per Month

Receiving station, power circuit, and first both-way trunk line	\$7 60
Each additional both-way trunk, individual business line rate less 50 cents.	
Each station within building, desk or wall.....	1 25
Each station without building, but located on same premises and at a distance not exceeding 300 feet from receiving station	2 00

Contracts will not be accepted for less than one receiving station and 2 auxiliary stations. If more than 3 auxiliaries are used, an additional trunk must also be used.

Contracts not taken for less than three years.

Subscribers to pay for all wiring between stations.

Auxiliary Lines:

Available in connection with individual business service at individual business line rate less 33 1/3 per cent.

C. L. 87]

<i>Miscellaneous Equipment:</i>	<i>Per Month</i>
Special loud ringing extension bells, same premises.....	\$0 35
Regular extension bells, same premises.....	15
Large sized bell with desk or portable sets, additional....	10
Switch boxes, first one.....	50
Switch boxes, each additional one.....	30
Jack box and plug for desk or portable set, first one.....	50
Each additional one.....	30

GENERAL RULES OF PRACTICES.

Payment for service to be made in advance as follows:

Exchange service, monthly.

Suburban line service, quarterly.

Farmer line service (company owning all equipment), semi-annually.

Farmer line service (company owning all equipment except station apparatus), semi-annually.

Farmer line service (subscriber owning all equipment to corporate limits), annually.

The subscriber shall pay monthly at schedule charges for all connections to points outside of territory contracted for, and shall be responsible for all charges for conversations from his telephone.

In all cases where the company connects with a line owned and maintained by the various subscribers upon that line, the company furnishing only central switching service and maintenance of the lines within the city limits, no instrument may be connected to such a line within the prescribed radius of the particular central office exchange area, except upon the same terms and conditions as all other subscribers within such radius pay for the same service. The company has the right, in every case, by refunding the unexpired amount of any advance payments already made for service on any such line, to cancel any agreement entered into for services upon or connecting with such a line, or to discontinue service where no written contract exists, at any time that any of the regulations of the company are broken by any subscriber attached to such a line or circuit or those claiming under any such subscriber.

Special Restricted Lines:

Two or more stations, in special locations, may, at the request of the subscriber, be connected to the same local circuit provided each station agrees to pay the individual line rate under the proper classification.

Joint User Service:

The rates herein are based upon the assumption that but one firm or family is to receive service for same. In case of a second party occupy-

ing the same premises as a joint user, 50 per cent. of the rental fee is to be added, which will entitle both parties to exchange service and directory listings.

Special Rate Discounts:

Lodges:

Individual lines, 50 per cent. reduction.

Extension sets, 50 per cent. reduction.

Ministerial rates:

Individual line, 25 cents reduction.

Two-party line, 25 cents reduction.

Four-party line, no reduction.

Public school rates:

Individual lines, 25 per cent. reduction.

Refunded during summer vacation period.

Directory listings:

Each subscriber is entitled to one free listing in the directory under the directory rules applying to same.

Extra listings in directory will be supplied for 25 cents per month.

Business listings in directory are entitled to have full firm or individual name listed, but residence listings will be limited to individual names only, and a charge of 25 cents per month will be made when any business is specified under residence numbers, with the exception of physicians and dentists, who shall be entitled to the prefix "Dr." without additional cost.

The charge for extra listings begins as soon as the listing is entered, at the request of the applicant, in the records of our information operator, irrespective of the date of the issue of the directory.

Vacation Rates:

Subscribers, who vacate premises for limited period exceeding one month, may retain the instruments and directory number by paying one-half their regular rate.

Construction Limitations:

The company will at its own expense make extension to provide telephone service, provided such extension requirements do not exceed the installation of 6 poles and a corresponding unit installation of wire, fixtures, and other appurtenances. In the event the requirements exceed this amount, special arrangements will be made with the subscriber, and if it is found impossible to adjust any such case or cases, the matter will then be referred to the Public Service Commission of Oregon for adjudication.

C. L. 87]

Miscellaneous Items:

When extension service is required in a separate building, special arrangements will be made.

The extension service is intended only for the parties contracting for a regular service, and will not be furnished to third parties.

When a business and a residence occupy the same room or building, the subscriber is required to take the business rate.

Exchange Primary Rate Area:

Normally, the city or corporate limits will be considered the boundaries of the various exchange primary rate areas, unless otherwise specified.

Service Connection and Change Charges:

A service connection charge of \$2.50 will be made for the establishment of service at any location, *provided* that where the instrumentalities necessary for the service to be rendered are already in place the charge will be only \$1.00.

Charge for change of instrumentalities will be made as follows:

- | | |
|--|--------|
| 1. Change of location on same premises..... | \$1 00 |
| 2. Change of instruments from wall to desk or vice versa,
unless application is made for a higher class of service. | 1 00 |

Prepayment Public Stations:

The company will, provided sufficient importance attaches, install prepayment "coin collecting" pay station telephone in public places. Where such service is installed in a public place, and is directly or indirectly under the supervision of a person, firm, or corporation, then a commission equal to 20 per cent. of all receipts collected by such "coin collecting" machine, or otherwise, for local exchange business originating at said public stations, will be paid to the person, firm, or corporation delegated as the companies' agent; *provided* that all slugs or other substitutes for coins of legal tender shall be considered as deducted from the amount due said agent; *provided further* that where the business is sufficient to justify the installation of a telephone booth, the said installation will be made at the expense of the telephone company.

It is now ordered, That the Home Independent Telephone Company of La Grande, be, and the same hereby is, authorized to discontinue its present rates, tolls, charges and practices, insofar as they differ from those hereinbefore determined as just, reasonable and not unjustly discriminatory, and to substitute in lieu thereof the reasonable rates, tolls, charges and practices so determined.

The rates so fixed shall be maximum rates, and nothing herein shall be construed as to prevent the company from reducing any rate or rates to enable it to most effectively develop the business, provided that in so doing it causes no unjust discrimination between individuals, classes of service or communities.

And it is further ordered, That immediately upon its establishment of these rates the company shall prepare and file in this office according to law and the rules of this Commission, a tariff in which shall be published the charges to be made by the company for its service and all rules and regulations pertaining thereto. A copy of this tariff, insofar as it relates to service in, from or to each exchange, shall be placed in each central exchange office, and shall there be made readily available for the inspection of the patrons of the company or of whomsoever might desire such inspection.

The provisions of this order shall become effective for all service rendered on and after the first day of February, 1919.

Dated at Salem, Oregon, this thirty-first day of January, 1919.

PENNSYLVANIA.

The Public Service Commission.

**EAST HICKORY AND ENDEAVOR SUBSCRIBERS OF BELL COMPANY
v. THE BELL TELEPHONE COMPANY OF PENNSYLVANIA.**

Complaint Docket No. 1795.

Decided December 10, 1918.

**Complaint Against Discontinuance of Service to a Few Subscribers, in
Territory Served by Another Company, Dismissed.**

REPORT.

The respondent, the Bell Telephone Company, operates an exchange at Tionesta, the county seat of Forest County, Pennsylvania. Its trunk lines extend from this exchange northerly along the Allegheny River to Tidioute and Warren. About 8 miles north of Tionesta there is a village on the west side of the Allegheny River called West Hickory, and one on the east side called East Hickory. Another town adjacent to East Hickory is called Endeavor.

The Endeavor Telephone Company, a mutual company organized in 1909, had at the time of the filing of this complaint less than 200 patrons in Endeavor, East Hickory and adjacent territory. The service it rendered was inferior and intermittent; very limited service was rendered during the night time and on Sundays. With many patrons on a single line its rate, including an initial payment of \$25.00, was \$5.00 per year, the patron supplying his own telephone. Where the company furnished the telephone, the annual rental was \$8.00.

The Bell Telephone Company served through its Tionesta exchange 13 patrons in Endeavor and 2 in East Hickory; also a limited number in West Hickory. These patrons pay \$18.00 per year for residence service and \$24.00 for business service. Some of them were subscribers to both the Bell

and Endeavor systems. These 13 patrons had free service with all of the Tionesta patrons of the Bell company. The patrons of the Endeavor company could, through a connection between its exchange and the Bell company, with the payment of toll, communicate with all the patrons of the Bell company at Tionesta and elsewhere.

The respondent company made an arrangement with the Endeavor company whereby respondent would withdraw its local service from all the territory served by the Endeavor company, which meant that it would discontinue service to its 13 subscribers therein. It would, however, continue its connection with the exchange of the Endeavor company at Endeavor. The arrangement further contemplates that the Endeavor company should by the expenditure of the necessary capital improve its facilities and its service, for which it has filed with The Public Service Commission a new tariff, wherein its rates are specified as follows:

	<i>Individual Line</i>	<i>Two-party Line</i>	<i>Multi-party Line</i>
Business	*\$30 00 (C)	*\$24 00 (C)	\$15 00 (A)
Residence	*24 00 (C)	*18 00 (C)	10 00 (A)

*Applies within one-half mile of central office. Beyond this limit a charge for mileage is made at the rate of \$5.00 per annum for each quarter mile, or fraction thereof.

A charge for residence of \$6.00, and for business of \$10.00, per annum is made for switching calls from telephones owned by subscribers and connected on lines owned and maintained by subscribers. (A)

A toll charge of 5 cents is made for local calls for non-subscribers. (A)

Subscribers are entitled to service without toll with Endeavor and East Hickory and West Hickory. (C)

Tolls to other points are quoted by The Central District Telephone Company.

(A) Indicates advance or increase in rate.

(C) Indicates change or addition.

All of the patrons of the Endeavor company may, upon the payment of toll, communicate with the Tionesta exchange of respondent. When these arrangements are

C. L. 87]

completed it will result in a single company serving East Hickory and Endeavor, furnishing a higher grade of continuous service at the increased rate stated. The respondent will continue to serve its patrons in West Hickory, giving as a reason therefor that on account of the railroad passenger and freight station located there such service is necessary.

The complainants in this case are patrons of respondent company at Endeavor and East Hickory, who object to having their service with the respondent company through its Tionesta exchange discontinued; also advancing the reason that they will be obliged to pay the increased rental to the Endeavor company with its inferior service.

The proposed arrangement between the respondent and the Endeavor Telephone Company contemplates an improvement in its facilities and service and will permit it to exclusively serve its territory.

The fact that the Endeavor Telephone Company has in the past rendered inferior service is not here important. It is a public utility and as such is in duty bound to render adequate service at reasonable rates. If, after the contemplated arrangements are completed, there should be any inferior service on its part, this may be corrected upon complaint filed with this Commission.

The conclusion of the Commission is that the complaint be dismissed.

ORDER.

This matter being before The Public Service Commission of the Commonwealth of Pennsylvania upon complaint and answer on file, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed of record a report containing its findings of fact and conclusions thereon, which said report is hereby approved and made a part hereof,

Now, to-wit, December 10, 1918,

It is ordered, That the complaint in this case be, and the same hereby is, dismissed.

**BEDFORD AND FULTON TELEPHONE COMPANY V. CHAPMANS
RUN MUTUAL TELEPHONE COMPANY.**

Docket No. 2303.

Decided December 10, 1918.

**Commission Without Authority to Prevent Subscriber Changing From
One Company to its Competitor.**

REPORT.

The complainant, the Bedford and Fulton Telephone Company, an incorporated telephone company, operates in Bedford and Fulton counties. It commenced operations about 1903, constructing and operating among others, a line between Everett and Clearville in Bedford County, over Dibert Road, so-called, a public highway, along which and adjacent thereto it had several patrons.

The complainant alleges that the respondent, the Chapmans Run Mutual Telephone Company, an unincorporated telephone company, was invading the territory, which complainant by its charter had an exclusive right to serve, by installing telephones in residences of parties residing along and in the vicinity of the said Dibert Road, which had theretofore been, or were being, served by complainant.

The testimony discloses the fact that the respondent also built its line along the said Dibert Road in 1907, and had, since that time, been serving its patrons along the same and in the vicinity thereof.

During 1918 five of the patrons of complainant residing along said Dibert Road, or in its vicinity, discontinued their service. Some of these have since become subscribers of respondent. One or more of them testified that they made the change in order that they might communicate with parties not reached by complainant's lines. It further appeared that respondent did not solicit said parties to become its patrons.

Under this state of facts the complaint as filed in this case must be dismissed. Both complainant and respondent had, prior to the enactment of The Public Service Company

C. L. 87]

Law, on July 26, 1913, constructed their lines along said Dibert Road and were serving patrons therefrom. Certain patrons of complainant company discontinued their service with it and became patrons of respondent, giving their reasons for so doing. Where two telephone companies are operating in the same territory there is no authority in the Commission to prevent a patron from changing from one to the other. An order dismissing the complaint will issue.

ORDER.

This matter being before The Public Service Commission of the Commonwealth of Pennsylvania upon complaint and answer on file, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed of record a report containing its findings of fact and conclusions thereon, which said report is hereby approved and made a part hereof,

Now, to-wit, December 10, 1918,

It is ordered, That the complaint in this case be, and the same hereby is, dismissed.

SOUTH DAKOTA.

Board of Railroad Commissioners.

In re APPLICATION OF SALEM TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

No. 3204.

Decided January 21, 1919.

Increase in Business, Residence and Rural Rates Authorized — Additional Charge for Extension Telephones, Extension Bells, and Desk Sets, Approved — Allowance of 7 Per Cent. Made for Reserve for Depreciation — Allowance of 7 Per Cent. for Return on Investment Made — Large Returns in Past Not Due to Unreasonable Rates.

Applicant sought authority to increase its business, residence and rural rates and to make additional charges for desk telephones and extension telephones.

The Commission's engineers, using average costs as determined from prices actually paid during the years 1912 and 1916, inclusive, found the reproduction cost new to be \$14,836 and the cost of reproduction less depreciation \$11,764, and the Commission's statisticians found that the book cost of the plant was \$12,315.56 and that a considerable part thereof had been paid for out of earnings.

The Commission further found that applicant in the past had earned from 2.9 per cent. to 39.2 per cent. with an average of 11.9 per cent. for the period from 1900 to 1914 and an average of 7.1 per cent. from 1915 to 1917, an average of 10.6 per cent. for 1900 to 1917; that including as return the earnings invested in the plant the average return was 13.7 per cent. on the book cost, or a return of 53.8 per cent. on the actual cash invested by the stockholders.

The Commission fixed the fair value of the property as a basis for fixing rates to be charged in the future at \$11,000, despite the contention of attorneys for the subscribers that that part of the plant constructed out of earnings — which in the past had been large chiefly as a result of economy of operation at reasonable rates — should be excluded in fixing the fair value for rate-making. The Commission was concerned with the fair value of the property used and useful in the public service rather than how it was acquired.

C. L. 87]

The Commission further found that reasonable operating expenses including taxes and an allowance of 7 per cent. for reserve for depreciation were \$5,275; that operating revenues under the present rates were \$5,424.55.

Held: That the unusually high rate of return earned by the applicant in the past might have been obtained through any or all of the following: (a) high rental rates; (b) economy in management and operation; or (c) failure to provide a reserve for depreciation, but as a comparison with contemporaneous rates of other companies similarly circumstanced indicated that in not a single instance had the applicant's rates exceeded those of other companies and as most of its rates had been lower than those of the other companies, the Commission was certain, although a comparison of rates is not necessarily conclusive, that applicant's rates had never been excessive or unreasonable;

That the unusually high rate of return resulted chiefly from economy of management at reasonable rates, although to some extent the company had failed to provide adequately for reserve for depreciation and to this extent excessive dividends had been paid;

That the company was entitled, in order that it might have just compensation, to a fair return on the reasonable value of its property in use and useful to the public;

That dividends should equal an amount not less than 7 per cent. of the fair value, or \$770;

That to allow the company a reasonable return the increase in business, residence and rural rates and the additional charges for extension telephones, extension bells and desk sets set forth in the schedule framed by the Commission should be authorized;

That the applicant should be authorized to provide by rule that its exchange rates should be due and payable on or before the fifteenth of the month in which service was rendered and that its rural rates should be due and payable quarterly in advance, payment to be made during the first month of the quarter.

REPORT.

The Salem Telephone Company operates a local exchange in the city of Salem, together with rural lines connecting therewith. By a formal application filed with this Board, that company asks authority to increase rates for all classes of telephone service. In its application the company shows that the rates at present in effect are as follows:

Business, main line, per month.....	\$1 50
Residence, main line, per month.....	1 00
Residence, party line, per month.....	90
Rural, party line, per month.....	1 00

The company requests authority to put into effect rates as follows:

Business, main line, per month.....	\$2 25
Residence, main line, per month.....	1 25
Residence, party line, per month.....	1 10
Rural, party line, per month.....	1 50
Desk sets, additional, per month.....	25
Extension sets, per month.....	25

The application was assigned for hearing and came on regularly to be heard at Salem, South Dakota. At the hearing the company was represented by its secretary, *Mr. S. M. Gilbert*, and the subscribers were represented by their attorneys, *Mr. E. H. Wilson* of Salem, and *Mr. F. W. Mitchell* of Mitchell, South Dakota.

In 1900 the Salem Telephone Company completed its organization and began to furnish telephone service to the people of Salem on May 15 of that year. The company commenced business with a paid up capital stock of \$1,750. No further sale of stock has been made. However, the company in 1902 issued its stockholders additional stock as a stock dividend amounting to \$1,750, and again in 1909 there was issued a stock dividend amounting to \$7,000. The outstanding capital stock was, on December 31, 1917, and at the time of the hearing, \$10,500. In other words, \$1,750, the amount of cash received from the sale of stock, represents the actual cash investment made by the stockholders of the company.

Mr. Gilbert, on behalf of the company, testified that an inventory of the plant had not been taken and that a valuation of the property had not been made, but that a fair value of the plant would at least equal the amount of the capital stock outstanding, or \$10,500. Subsequent to and as a result of the hearing, the company submitted an inventory and a map or plat showing the location, quantity, size and class of equipment used in the construction of the plant, together with a statement showing its estimate of the reproduction cost new to be \$18,250.31. On instructions issued by this Board, our engineering department made a careful

C. L. 87]

investigation of the plant and equipment and submitted a statement in detail showing a reproduction value new of \$14,836, and a reproduction cost less depreciation, or present value, of \$11,764. The company, in arriving at a valuation, used the current prices for material and labor, while the unit costs applied by our engineering department were average costs as determined from a study of prices actually paid during the years 1912-1916, inclusive. It also appears that the company listed a large number of poles of a greater diameter than found to be actually in use. The method used by our engineer, based upon average cost for a period of years, produces a result more nearly representing normal conditions, and we consider such method fairly equitable to both the company and its patrons, whereas, on the other hand, to adopt the telephone company's method of basing value upon current prices as applied to both labor and materials, reflecting as such prices do the abnormal conditions brought about by the war and which at best may be considered as temporary, would, we feel, be very unfair to the patrons of the company. Upon our instruction after the hearing, our statistical department made a very careful and thorough investigation of the books and accounts of the company. That investigation disclosed that the records of the company were exceptionally well kept and that, beginning with the year 1914, the books were kept in accordance with the uniform system of accounts for telephone companies as promulgated by this Board. It appears that previously to 1914 the disbursements were not classified so as to show the amount expended for operating expenses and construction separately. Consequently, it was necessary for the statisticians to use their own judgment in classifying the disbursements up to that time. All items of disbursements were carefully scrutinized and separated, and such amounts apportioned to construction as the facts warranted, and from the results submitted it appears that the record or book cost of the plant on December 31, 1917, was \$12,315.56. For the purposes of this case, and as a basis for fixing the rates to be charged for the future, after

a careful and exhaustive examination of the evidence, we find and approve a valuation of this plant at \$11,000.

The following statement shows disbursements from date of organization, March 9, 1900, to December 31, 1917:

Year Ended	Construction	Operating Expenses	Taxes	Dividends	Total	Estimated Depreciation 6 Per Cent
12/31-1900.....	\$1,789 18	\$228 54	\$30 90	\$175 00	\$2,223 62	.....
1901.....	435 43	498 91	28 00	437 50	1,399 84	\$107 35
1902.....	183 26	820 02	31 00	945 00	1,979 28	133 48
1903.....	400 77	582 40	35 00	525 00	1,543 17	144 47
1904.....	474 12	592 23	39 00	875 00	1,980 35	168 52
1905.....	1,614 14	855 32	41 30	.....	2,510 76	196 97
1906.....	397 29	812 86	45 16	700 00	1,955 31	293 81
1907.....	598 20	799 41	49 27	1,050 00	2,496 88	317 65
1908.....	268 00	838 86	75 00	1,400 00	2,581 86	353 54
1909.....	962 08	1,288 67	62 50	840 00	3,153 25	369 62
1910.....	975 98	1,427 49	81 07	1,155 00	3,639 54	427 35
1911.....	673 53	1,679 65	100 87	1,260 00	3,714 15	485 91
1912.....	672 58	1,580 39	105 01	1,050 00	3,407 98	526 32
1913.....	1,425 62	2,462 31	212 02	315 00	4,414 95	566 67
For 4 months ended 4/30 1914.....	43 56	675 53	109 06	.....	828 15	217 40
Year ended 4/30, 1915.....	25 80	2,744 96	210 00	735 00	3,715 76	654 82
1916.....	55 00	3,509 98	221 12	840 00	4,626 10	659 67
1917.....	193 99	4,326 01	127 93	840 00	5,487 93	671 31
For 8 months ended 12/30, 1917.....	\$1,127 03	4,493 02	237 02	.....	5,857 07	447 70
TOTAL.....	\$12,315 56	\$30,216 56	\$1,841 33	\$13,142 50	\$57,515 95	\$6,742 56

The items covering operating expenses as shown in column No. 2 of the statement were obtained after a careful examination of the books, vouchers and original data in the possession of the company, and classified in a manner similar to that previously outlined in connection with construction costs, column No. 1. Taxes, as shown in column No. 3 are, with the exception of a few years prior to 1910, the amounts actually paid. In column No. 4 is shown the actual cash dividends paid. In column No. 6 is shown the estimated depreciation for such period, based upon 6 per cent. of the record or book cost.

In regard to the returns received by the stockholders in the company, some discussion is deemed necessary. The annual cash dividends paid to and received by the stockholders from 1900 to 1914, inclusive, based upon the record or book cost, vary from 2.9 per cent. to 39.2 per cent., with an average of 11.9 per cent. for the entire period. From 1915 to 1917, inclusive, the cash dividends paid average

C. L. 87]

7.1 per cent., while from 1900 to 1917, inclusive, the average annual cash dividend was 10.6 per cent. The record or book cost of the plant as shown is \$12,315.56. If this cost is reduced by \$1,750, the amount of cash invested, and by \$6,742.56, the amount of estimated depreciation, it will be found that the total earnings invested in plant amount to \$3,823. If this amount is added to the cash dividends actually paid, \$13,142.50, it clearly appears that the total return received on the investment amounts to \$16,965.50, which results in an annual return based on record costs of 13.7 per cent., while, if the return is based upon the actual cash invested by the stockholders, the annual cash dividends would be 41.7 per cent., and the average annual return from cash dividends and investment from earnings of 53.8 per cent. The average annual return of 13.7 per cent. on the investment is considerably higher than the percentage usually allowed on investments in public utilities. This unusually high rate of return could be obtained through any or all of the following causes: (1) high rental rates, (2) economy in management and operation, (3) failure to provide a depreciation reserve fund.

1. HIGH RENTAL RATES.

In connection with the first cause, higher rental rates, the evidence shows that the rates adopted on April 9, 1900, and put into effect on May 15, 1900, and continued until September 1, 1913, were as follows:

Business, per month, per 'phone.....	\$2 00
Business and residence combined, per month, per 'phone. . .	2 50
Residence, main line, per month, per 'phone.....	1 00
Residence, party line, per month, per 'phone.....	75

On September 1, 1913, the following rates were adopted by the company and filed with this Board in compliance with an order* to eliminate discrimination existing on account of the combined business and residence rate:

* See Commission Leaflet, No. 22, p. 996.

Business, main line, per month, per 'phone.....	\$1 50
Business, party line, per month, per 'phone.....	1 35
Residence, main line, per month, per 'phone.....	1 00
Residence, party line, per month, per 'phone.....	90
Rural party line, per month, per 'phone.....	1 00

For the purpose of showing comparison of the rental rates of this company with the rental rates charged by some of the companies operating in this State that have been examined during the past year, we have set up the following table:

<i>Number of Sub- scribers</i>	<i>Telephone Company</i>	<i>Main Line Business</i>	<i>Party Line Business</i>	<i>Main Line Resi- dence</i>	<i>Party Line Resi- dence</i>	<i>Rural Party Line</i>
270	Salem.....	\$1 50	\$1 35.	\$1 00	\$0 90	\$1 00
308	Hyde County.....	2 00	.....	1 25	1 10	1 25
637	Centerville.....	2 00	.....	1 00	1 00	1 00
366	Tripp.....	1 50	.....	1 00	.....	1 00
582	Tri-County.....	2 00	.....	1 00	.....	1 00
398	Potter County.....	2 10	.....	1 25	1 00	1 50

The comparison of the rates of the Salem Telephone Company with those of the other companies shown indicates that the rates charged by the Salem Telephone Company do not in a single instance exceed the rates of the other companies, but on the other hand it appears that most of the said company's rates are lower. The rates of many other companies could have been cited, in fact the rates of all of the companies operating in towns the size of Salem might have been used, and the showing would have been in favor of the rates charged by the Salem Telephone Company. While a comparison of rates is not necessarily conclusive, we are quite clearly of the opinion that the rates of the Salem Telephone Company from the date of its organization to the present time have never been excessive or unreasonable.

2. ECONOMY IN MANAGEMENT AND OPERATION.

It appearing that the rental rates of the company in the past have been lower than those charged by other companies

C. L. 87]

similarly situated, and that they have at the same time paid a cash dividend and added a considerable amount to their investment from earnings, the conclusion is unavoidable that the company was economical in the management and operation of the plant. It clearly appears that the low cost of operation in the past was due to the low salaries and compensation paid for management and repair work. It is clearly shown that the company paid its manager \$30.00 per month for the furnishing of a central office, light and heat, and for the performance of the duties of operator and manager; that this amount was increased to \$40.00 per month on January 1, 1905, and again increased to \$50.00 per month on May 1, 1908, and further increased to \$80.00 per month on May 1, 1909, and to \$100 per month on December 1, 1912. In addition to the above salary, the manager received as compensation the entire amount of commission on toll messages. No record was kept of the amount of these commissions prior to November 1, 1916. Prior to 1911 no compensation of any kind was paid to the directors, and the average salary paid the secretary, including the cost of stationery supplied by him, amounted to \$18.36 per year from 1900 to 1914. The wages paid the manager for line repair work from 1900 to 1914 averaged \$253.98 per year. It likewise appears that much of the labor in managing and operating the plant was performed by the directors and officers of the company without compensation. Consequently a very low cost of management and operation results. This low cost of operation must of necessity be reflected in the net earnings of the company, and it quite clearly appears that the unusually high rate of return shown to have been received by the stockholders of the company was largely, if not entirely, brought about by the fact that the labor going into the management and operation of the plant was not paid for direct, out of the earnings of the company, but rather that the officers and stockholders of the company received compensation for labor performed in dividends instead of being compensated in the usual manner.

3. DEPRECIATION RESERVE.

The evidence clearly shows that the company has failed to adequately provide for taking care of depreciation. To the extent of its failure in this connection, excessive dividends were declared and paid. We have gone into the matter of return received by the stockholders in some detail, for the reason that the attorneys on behalf of the subscribers strenuously contended that a large portion of the plant [was] so constructed. We do not feel that this contention can be sustained. We are more concerned in the determination of a fair value of the property in use and useful than we are in how it was acquired. Pond, on Public Utilities, pages 483, 484, says:

"While all accurate available evidence of the original cost as well as the cost of reproduction is desirable and helpful in determining the extent of actual investment necessary to render the service in any particular case, neither these nor the amount of capitalization are conclusive. The present market value of the plant or its worth as a going concern is the ultimate practical basis for determining the value of the investment upon which to fix a rate which will produce a fair return. The investment is the actual market value of the property which is being used for the public and is useful or necessary at the time to render the service."

The Supreme Court of the United States in *Smyth v. Ames*, 169 U. S. 546, 42 L. Ed. 849, 18 Sup. Ct. Rep. 418, held that,

"the basis of calculation is the fair value of the property used for the convenience of the public,"

and that Court stated in *San Diego Land and Town Company v. National City*, 174 U. S. 757, 43 L. Ed. 1161, 19 Sup. Ct. Rep. 804:

"What the company is entitled to demand in order that it may have just compensation is a fair return upon the reasonable value of the property at the time it is being used for the public."

The Pennsylvania Supreme Court, in *Bryner v. Butler Water Company*, 179 Pa. 231, 36 Atl. 249-251, held that,

"In determining the amount of investment by the stockholders, it can make no difference that money earned by the corporation, and in a position to be distributed by dividend among its stockholders, was used to pay

C. L. 87]

for improvements and stock issued in lieu of cash to the stockholders. It is not necessary that the money should first be paid to the stockholder and then returned by him in payment for new stock issued to him. The net earnings, in equity, belonged to him, and stock issued to him in lieu of the money so used that belonged to him was issued for value and represents an actual investment by the holder."

OPERATING EXPENSES.

The operating expenses of the company for the year ended December 31, 1917, are shown below, and were secured from the records of the company by the Commission's statisticians.

Maintenance	\$2,186 74
Depreciation	738 93
Operators' wages	1,264 37
Other traffic expenses	106 68
General expenses	1,749 17
<hr/>	
TOTAL	\$6,045 89

The company paid taxes for the same year in the amount of \$249.40, making the total for operating expenses and taxes \$6,295.29. The amount paid for maintenance in the sum of \$2,186.74 appears to be very high. In giving the amounts charged to maintenance proper consideration, it appears conclusively that many of said items should have been charged against depreciation and in some instances were proper charges to the capital account. If such items are properly eliminated, it is indicated that \$1,350 will be a sufficient amount to allow for maintenance. Likewise, the amount of \$1,749.17, covering general expenses, appears to be excessive. Included within this amount is \$150 for expenses of directors' meetings. It appears that the policy of the company is to require directors' meetings monthly. With a company the size of the one under consideration we do not consider such frequent meetings necessary. We feel that \$75.00 per year will meet the requirements in this connection. In regard to the compensation paid the collector and treasurer there is also some question.

Having given due consideration to the requirements of the company, we have set up as reasonable operating expenses the following items:

Maintenance	\$1,350 00
Depreciation, 7 per cent. on \$11,000.....	770 00
Operators' wages	1,315 00
Other traffic expenses	170 00
General expenses	1,420 00
Taxes	250 00
TOTAL	\$5,275 00

It will be noted that an allowance of \$770 has been made to cover depreciation. The question of making an allowance to take care of plant and equipment is so well settled at this time that we do not consider it necessary to cite authority on the question. We consider that an allowance of 7 per cent. on the fair value of the plant as found herein is ample and reasonable. The number of telephone instruments installed by the Salem Telephone Company and in service within the city of Salem and on its rural lines were, on December 31, 1917, as follows:

<i>Class</i>	<i>Old Rate</i>	<i>Number of Telephones</i>	<i>Revenue</i>
Business, main line, desk.....	\$1 50	25	\$450 00
Business, main line, wall.....	1 50	37	666 00
Residence, main line, desk.....	1 00	8	96 00
Residence, main line, wall.....	1 00	116	1,392 00
Residence, party line.....	90	18	194 40
Reduced rate	70 5/8	8	68 00
Extension sets	25	3	9 00
Extension bells		3	
Rural party line	1 00	58	696 00
Switching rural telephones.....	3 00	197	591 00
Switching rural telephones.....	2 25	85	191 25
Commission on toll messages.....			1,070 90
TOTAL			\$5,424 55

If we apply the operating expenses to this revenue, we find a balance of \$149.55, which may be used for the purpose of compensating the investor in the form of dividends.

C. L. 871

We believe that the dividends should equal an amount not less than 7 per cent. of the value of the plant, or \$770. It clearly appears from the foregoing that if the said telephone company is to be allowed a reasonable return on the fair value of the property, some part of its petition for an increase in rates must be allowed. Therefore, we have reconstructed its revenue accounts on the following basis:

25 business main line desk telephones at \$2.00.....	\$660 00
37 business main line wall telephones at \$1.75.....	770 00
8 residence main line desk telephones at \$1.25.....	120 00
116 residence main line wall telephones at \$1.10.....	1,531 20
26 residence party line telephones at \$1.00.....	312 00
3 extension sets at 50 cents.....	18 00
3 extension bells at 25 cents.....	9 00
58 rural party line telephones at \$1.25.....	870 00
Switching 97 rural party line 'phones at 25 cents.....	591 00
Switching 85 rural party line 'phones at 18¾ cents.....	191 25
Commission on toll messages.....	1,070 90
TOTAL	* \$6,090 35

*An error of \$300 is apparent.

Taking the operating expenses as previously shown, which included an allowance for depreciation and taxes, and adding thereto the amount of \$770 as a proper and reasonable return, gives us a total of \$6,045, leaving a net surplus of \$45.35.

After a careful examination of all of the testimony in this case, we are of the opinion, and find, that the rates of the Salem Telephone Company for the future, and until the further order of this Board, should not exceed the following:

Business, main line wall set, per month, per telephone.....	\$1 75
Residence, main line wall set, per month, per telephone.....	1 10
Residence party line wall set, per month per 'phone.....	1 00
Rural party line, per month, per telephone.....	1 25
Extension sets, per month, per telephone.....	50
Extension bells, per month, per telephone.....	25

with an additional charge of 25 cents per month, per telephone, for desk sets, any type, said exchange rates to be due and payable on or before the fifteenth day of the month in which service is rendered, and the rural party line rates to be due and payable quarterly in advance, payment to be made during the first month of the quarter, and that these rates should be made effective on February 1, 1919.

As conclusions of law from the foregoing facts, the Board now finds and decides that an order be made and entered in this proceeding approving the schedule of rates last above named, effective as of February 1, 1919.

Done in regular session at the city of Pierre, the Capital, on this twenty-first day of January, 1919.

ORDER.

In this case, the Board having completed its investigation, and on this date made and filed its report containing its findings and conclusions, a copy of which is hereunto annexed, hereby referred to and made a part hereof, and this Board being fully advised in the premises, and sufficient cause for this order appearing,

It is ordered, considered and adjudged, That the Salem Telephone Company be, and it is, hereby granted authority to establish and put into effect rates for telephone rentals and for telephone service in connection therewith, at and in the vicinity of Salem, South Dakota, to become effective February 1, 1919, not exceeding for each class of service the following amounts:

Business, main line wall set, per month, per telephone.....	\$1 75
Residence, main line wall set, per month, per telephone.....	1 10
Residence party line wall set, per month, per telephone.....	1 00
Rural party line, per month, per telephone.....	1 25
Extension sets, per month, per telephone.....	50
Extension bells, per month, per telephone.....	25
Additional charges for desk set, per month, per telephone.....	25

C. L. 87]

It is further ordered, considered and adjudged, That the said Salem Telephone Company may provide by rule that its said exchange rates shall be due and payable on or before the fifteenth of the month in which service is rendered, and that the said rural party line rates shall be due and payable quarterly in advance, payment to be made during the first month of the quarter.

January 21, 1919.

VIRGINIA.

State Corporation Commission.

**COMMONWEALTH OF VIRGINIA *ex rel.* BOARD OF SUPERVISORS
OF RUSSELL COUNTY *et al.* v. MCFADDIN TELEPHONE
COMPANY, INCORPORATED.**

Case No. 632.

Decided June 12, 1918.

**Construction of Metallic Toll Line in Lieu of Grounded Circuit Toll
Line, to Prevent Electrical Interference from Transmission Line,
Ordered — Portion of Cost to be Paid by Transmission Com-
pany, by Agreement, Approved — Company Ordered to
Metallicize Subscribers' Circuits — Policy of Commis-
sion in Cases of Interference Between Trans-
mission Line and Grounded Tele-
phone Lines Outlined.**

Complaint alleged that the service furnished by the defendant in the counties of Russell and Washington was deficient and inadequate.

The Commission found that the service of the defendant was inadequate to meet the demands of that part of a prosperous and progressive community desiring and needing modern methods of communication although perhaps satisfying those citizens to whose business prompt and efficient service was not essential and who preferred low rates and slow service to an adequate rate and good service. The Commission further found that the rental rates charged by the defendant was inadequate for the maintenance and necessary extensions of a telephone service properly taking care of the needs of the community, that its income was far below the average per telephone in the State and sufficient allowance had not been made for the costs of operation and maintenance and to cover reserve for depreciation, obsolescence and extensions, not to mention a proper return upon the investment.

The defendant contended that the Appalachian Power Company had constructed a high tension line along the public road between the towns of Lebanon and Honaker for the purposes of supplying electric current to the Lebanon Light Company to light the streets and buildings of the county seat; that this high tension line would, when current was turned on, destroy the efficiency of the grounded telephone wire of the defendant along the same roadway connecting the two towns mentioned; that the real

C. L. 87]

motive for the complaint was to force the defendant to construct a metallic line which would not be injured by its proximity to the high tension system, since if such action were not taken the power company or the light company would be liable for the damages suffered by the grounded telephone system.

Held: That it was highly desirable for the good of the community that power companies be encouraged, with due regard always to the existing prior rights of the telephone enterprises;

That the Commission would require as occasion might arise such reconstruction of telephone lines as would enable power companies to exist and operate without being forced to bear excessive financial burdens, and that it would be a matter for determination in each individual case as to that part of the expense of changing the telephone system from grounded circuit to metallic circuit lines to be borne by the power companies;

That the defendant should be required to construct a metallic circuit between the towns of Lebanon and Honaker, the amount to be paid by the Appalachian Power Company or the Lebanon Light Company to the defendant in this instance to be \$500 as had been agreed upon between the parties;

That as defendant had admitted that its local service in the towns of Lebanon and Honaker was unsatisfactory it should, as it agreed, rebuild its switchboards and put in metallic circuits to serve its subscribers in those towns; and as it was also admitted that the present grounded circuit service between Lebanon and Honaker was unsatisfactory, especially because there were on this line certain local subscribers whose use of the system interfered with connections between the towns, defendant should construct a grounded line free of all intermediate subscribers;

That the contention of the defendant that it was receiving the highest rate for telephone service that its patrons were willing to pay and that if it were forced to rebuild its lines it would be unable to secure enough revenue even to maintain its system, still less to secure a reasonable rate on the increased investment, was a mistaken idea, for the telephone once installed is practically a necessity of life and very rarely is it discarded even when rates are increased. As the income of the defendant per telephone was so much lower than the average in the State a substantial increase in charges would not constitute an unreasonable burden upon the subscribers;

That it is clearly the best policy for the State through the Commission to encourage in every possible way the construction and maintenance of adequate telephone service, which contributes so much to the prosperity, convenience, social intercourse and happiness of any community; therefore the Commission would enter an order requiring the construction of a metallic circuit free of intermediate subscribers between the towns of Lebanon and Honaker, the installation and operation of metallic circuits, the installation of a new switchboard at Lebanon and repairs to the

switchboard at Honaker so as to give reasonably satisfactory service, and would require regular reports by the company as to the progress of this work;

That the lines of the company between Lebanon and Hansonville and between Lebanon and Cleveland should be kept in good repair with necessary equipment and with adequate long distance connections at Honaker and service with The Western Union Telegraph Company at Cleveland;

That the company should keep on duty a troubleman to receive complaints and make repairs with reasonable dispatch, and that the number of telephones on each line should be limited to such number as would make the service reasonably good;

That the Commission would be willing, upon application of the defendant, to admit for filing and to put in force a revised rate schedule which would be reasonable and sufficient.

OPINION.

This proceeding is a complaint of deficient and inadequate service rendered in the operation of its telephone lines in the counties of Russell and Washington by the defendant, which is a public service corporation, duly chartered under the laws of this State, and granted a franchise by the board of supervisors of the county of Russell in November, 1913.

The Commission's engineer has inspected the lines and investigated complaints on the ground; public hearings have been held before the Commission in Richmond, and considerable testimony was presented as to the nature of the service given by the company to its patrons, together with arguments of counsel. Naturally there was some conflict of opinion. The situation as presented by the witnesses is common to rural communities where telephone service had a small beginning and has been gradually developed. It is simply this: that the service given by the company is inadequate for the demands of that part of a prosperous and progressive community desiring and needing modern methods of communication, although, perhaps, satisfying those citizens to whose business prompt and efficient service is not essential, and who prefer low rates and slow service to an adequate rate and good service.

It is very clear that the rental rates charged by the McFaddin Telephone Company are inadequate for the

C. L. 87]

maintenance and necessary extensions of a telephone service properly taking care of the needs of the community. Its income is far below the average per telephone in this State, and the wonder is that it has been able to exist at all under the circumstances. It is quite evident that the services of members of one family have not been counted in the expenses of operation, and that insufficient allowance has been made for the costs of maintenance and to cover depreciation, obsolescence and extensions, not to mention a proper return upon the investment.

Evidence presented before the Commission in behalf of the defendant is to the effect that a power company has constructed a high tension line along the public road between the towns of Lebanon and Honaker in the county of Russell, for the purpose of supplying electric current to the Lebanon Light Company to light the streets, homes and business places of the county seat. This high tension line will, when current is turned on, destroy the efficiency of the grounded telephone wire of the McFaddin Telephone Company along the same roadway and connecting the two towns mentioned, and it is claimed in behalf of the defendant that the real motive for the complaint made by the board of supervisors in this case is to force the McFaddin Telephone Company to construct a metallic line, which would not be injured by its proximity to the high tension system. It is stated that if such action is not taken the power company, or the light company, would be liable for the damages suffered by the grounded telephone system.

On this question we find cases in which differing conclusions are reached. In an opinion by the Iowa Board of Railroad Commissioners, in a general case in regard to electrical interference between transmission, telephone and telegraph lines (P. U. R. 1917B, p. 800),* it was held:

"A telephone or telegraph company, because of prior occupancy, does not have a right in the highway superior to that of a company facilitating ordinary travel.

* *Re Electrical Interference between Transmission, Telephone, and Telegraph Lines*, Commission Leaflet No. 64, p. 917.

But a telephone or telegraph company having prior occupancy does have a right in the highway superior to that of another telephone or electric company exercising an equal or similar franchise. This superiority does not go to the extent of giving an exclusive right to the first company. But this superiority does carry with it the right to be protected from unreasonable interference by the latter company.

A telephone or telegraph company, having been the first to build its line in a given public highway or along a certain private right of way is entitled to continue the usual, ordinary occupation of its plant in that location without any interference of a substantial character from any transmission line constructed at a later date in close proximity to its said line. . . .

It is of prime importance that these electric companies should cooperate with each other in reducing the interference; and it will be our purpose to enable, if possible, both classes of companies to occupy the public highways in common. The telephone companies should move to the opposite side of the road where necessary to make room for the proper construction of a transmission line; and ordinarily a telephone line on a grounded circuit should be made metallic, and proper transpositions should be installed. If it be found necessary to make the grounded circuit telephone line metallic for part or all of its length in order to remove the interference; and to install proper transposition to render the telephone service reasonably satisfactory; then the cost of removal, transposition and making metallic shall be borne by the transmission line company. . . .

If, as is frequently the case, the telephone line is in a dilapidated, worn-out condition, poles rotted, insulators gone, etc., no part of the cost of rehabilitating the line should be borne by the transmission line company. That is an expense which must be met by the telephone company in all cases."

A condition similar to that presented in this case is decided by the Missouri Public Service Commission in the case of *Caruthersville and Kennett Electric Light and Power Company v. Southwestern Bell Telephone Company** (P. U. R. 1917C, p. 1012), in which the opinion says:

"If not already inadequate, certainly it would seem that the telephone company could not long afford to depend on a grounded line for communication between two places with the population and importance of Caruthersville and Hayti. These rural grounded lines may be all right at the present time, but with the rapid strides in progress that will come in this vicinity, and the consequent demand for up-to-date service, it

* See Commission Leaflet No. 67, p. 81.

C. L. 87]

cannot be predicted that these lines would not, in the natural course of events, soon be made metallic. If the cost of this improvement is charged against the transmission line company, the net result is a considerable economic gain to the telephone company. This gain is immediate and may equal the cost of the change. If not immediately required it would be difficult to determine in advance the interest payment on the proper capital expenditure which the applicant should bear."

In the case of *Lincoln Telephone and Telegraph Company** the Nebraska State Railway Commission (P. U. R. 1915D, p. 807) said:

"The installation of a metallic system, it will be seen from the above, is a logical step in the development of a telephone plant, and may be rendered imperative by changing physical conditions. While grounded plants are still very generally in use, they are rapidly being replaced with metallic equipment, as it is recognized by experienced telephone men that when a grounded plant has been in service for from eight to twelve years and reconstruction becomes necessary, sound economy and the public service demand the substitution of metallic equipment. The public is gradually demanding a higher standard of service, and telephone men understand that sooner or later the patrons of any company will demand metallic service. To replace a grounded plant, therefore, with a grounded plant when it is reasonably certain that the better equipment will be demanded in the course of time is poor economy, both from the standpoint of the company and the public. It is exceedingly unwise when the physical conditions become such that it is impossible to operate the ground plant satisfactorily. The increasing use of electricity for light, heat, and power makes the future of any grounded plant more or less uncertain and precarious. It would appear, therefore, that ordinary business foresight should prompt a company to anticipate the changing over of its plant from a grounded to a metallic basis, and that it should plan, and should be permitted to make such change at the time most advantageous for it."

In the matter of the *Application of the Farmers and Merchants Telephone Company of Alma*† for increase in rates (Application No. 2981) the Nebraska State Railway Commission required the grounded circuits between Alma and Republican City to be changed to metallic.

Interference with existing grounded telephone circuits by high power transmission lines will necessarily become

* See Commission Leaflet No. 46, p. 1225.

† See Commission Leaflet No. 78, p. 1534.

[Va.

an increasing problem as time goes by and as electric power continues to be developed. It is highly desirable for the good of the whole community that power companies be encouraged, with due regard always to the existing prior rights of the telephone enterprises. This Commission expects to pursue a policy accordingly, and will require as occasion may arise such reconstruction of telephone lines as will enable power companies to exist and operate without being forced to bear excessive financial burdens. It will be a matter for determination in each individual case as to that part of the expense of changes from grounded to metallic lines to be borne by power companies. Under such circumstances the Commission is of opinion that in this instance the McFaddin Telephone Company should be required to construct a metallic circuit between the towns of Lebanon and Honaker; the amount to be paid by the Appalachian Power Company, or the Lebanon Light Company, to the McFaddin Telephone Company in this instance to be \$500 as has been agreed upon between the parties. Said agreement was brought to the attention of the Commission by counsel, and is as follows:

Agreement made this tenth day of May, 1918, between McFaddin Telephone Company, Inc., hereinafter called the telephone company, of the one part, and Appalachian Power Company, and Lebanon Light Company, hereinafter called the power and light companies, of the other part.

WITNESSETH: That in order to compromise and settle the suit of the telephone company against the light and power companies, now pending in the Circuit Court of Tazewell County, Virginia, the power and light companies hereby tender to the telephone company, and the telephone company hereby accepts from the power and light companies the sum of \$500 in satisfaction of its claim for damages for the expense of reconstructing and transposing its telephone lines, in so far as the same may be rendered necessary by the maintenance and operation of the transmission lines of the power or light companies as the same are now constructed in Russell County, Virginia, and hereby releases the power and light companies from any further claim of damages on that account.

And the power and light companies are to so transpose their transmission lines where the same parallel or come in close proximity to the telephone wires of the telephone company with reference to said telephone lines, at their own expense, so as to diminish, as far as is reasonably practicable, the effects of induction upon the telephone wires; the intent being

C. L. 87]

that each party shall transpose its own lines with reference to the lines of the other, in order to reduce, as far as is reasonably practicable, the effects of induction upon the telephone lines.

The suits in the Circuit Court of Tazewell County mentioned above, are both to be dismissed, each party paying his own costs therein.

It is understood, however, that nothing herein contained shall affect the right of the telephone company to have the power and light companies provide, at their own expense, a type of crossing of the best modern construction, wherever their lines, including the light line leading from Barnett into Lebanon, cross the lines of the telephone company.

And it is further stipulated that the telephone company is to have at least ninety days in which to purchase and assemble the necessary materials and to reconstruct and transpose its telephone lines from Lebanon to Honaker before the power and light companies turn on to, and transmit over, the said light line leading into Lebanon from Barnett any electrical energy or current.

Appalachian Power Company,
By R. E. Scott, Attorney.
F. B. Hutton, for
McFaddin Telephone Co., Inc.

It was admitted by the defendant that its local service in the towns of Lebanon and Honaker is unsatisfactory, and it was agreed at the hearing that the company would rebuild its switchboards and put in metallic circuits to serve its subscribers in those towns. It was also admitted that the present grounded wire service between Lebanon and Honaker is unsatisfactory, especially because there are on this line certain local subscribers whose use of the system interferes with connections between the towns, and the defendant expresses a willingness to construct a grounded line free of intermediate subscribers.

The company claims in its answer that it is receiving the highest rate for telephone service that its patrons are willing to pay, and that if it were forced to rebuild its lines it would be unable to secure enough revenue to even maintain its system, still less to secure a reasonable rate on the increased investment. The Commission thinks this a mistaken idea. The telephone once installed is practically a necessity of life, and very rarely is it discarded even when rates are increased. As already stated, the income of the

McFaddin Telephone Company per telephone operated is so much lower than the average in this State that a substantial increase in charges would not constitute an unreasonable burden upon the subscribers. It is clearly the best policy for the State through this Commission to encourage in every possible way the construction and maintenance of adequate telephone service, which contributes so much to the prosperity, convenience, social intercourse and happiness of any community.

The Commission, therefore, is entering an order requiring the construction of a metallic circuit, free of intermediate subscribers, between the towns of Lebanon and Honaker, and the installation and operation of metallic circuits, the installation of a new switchboard at Lebanon, and repairs to the switchboard at Honaker, so as to give reasonably satisfactory service, and will require regular reports to the Commission by the company as to the progress of this work. The Commission indicates its willingness, upon application of the McFaddin Telephone Company, to admit for filing and put into force a revised rate schedule which will be reasonable and sufficient.

ORDER.

The Commission having maturely considered the evidence adduced, after full hearing and argument of counsel and investigation and reports by its engineer,

It is ordered, That the McFaddin Telephone Company shall proceed at once to construct a metallic telephone circuit between the towns of Lebanon and Honaker in the county of Russell, said circuit to be free of intermediate subscribers and to be completed within a time deemed reasonable by the Commission; that the said McFaddin Telephone Company shall install and maintain metallic circuits to the telephones of its subscribers in the towns of Lebanon and Honaker; that the said McFaddin Telephone Company shall install a new magneto switchboard in the town of Lebanon of 100-line ultimate capacity, equipped at present for 50 lines, and with 50-line combined lightning arrester,

C. L. 87]

fuse and cross-connecting rack for wall mounting, installed in an efficient manner to prevent short circuiting from moisture or other causes; that the said McFaddin Telephone Company shall repair its switchboard at Honaker by equipping it with sufficient pairs of cords, with repeating coils, and making such changes in the jacks, as will provide for handling the metallic circuits that may be installed to enter that switchboard; that the said McFaddin Telephone Company shall on the first day of each month hereafter until further notice make reports in writing to this Commission as to the progress of the work herein described and as to the general condition of the system; that the work herein described shall be done under the supervision of one of the Commission's engineers; that the lines of the company between Lebanon and Hansonville and between Lebanon and Cleveland shall be kept in good repair with necessary equipment and with adequate long distance connections at Hansonville and service with The Western Union Telegraph Company at Cleveland; that the company shall keep on duty a troubleman to receive complaints and make repairs with reasonable dispatch, and that the number of telephones on each line shall be limited to such number as will make the service reasonably good.

All other questions are reserved.

June 12, 1918.

WASHINGTON.

Public Service Commission.

**PUBLIC SERVICE COMMISSION v. THE HOME TELEPHONE AND
TELEGRAPH COMPANY OF SPOKANE, THE PACIFIC TELE-
PHONE AND TELEGRAPH COMPANY AND A. S. BURLERSON,
POSTMASTER GENERAL.**

No. 4747.

Decided November 29, 1918.

**Re-Suspension of Rate Schedule Filed by Respondents Ordered Pending
a Hearing.**

ORDER.

Whereas, on November 6, 1918, the respondent companies, with the approval of the Postmaster General, filed with this Commission certain tariffs numbered W. P. S. C. No. 2, bearing the notation " Effective November 15, 1918, unless and until otherwise ordered by the Postmaster General of the United States, or otherwise, according to law," and

Whereas, under date of November 27, 1918, this Commission received from the Postmaster General the following telegram:

" Replying to your telegram twenty-sixth apparently sent before you received my telegram of same date please strike out from rate schedule filed on November 6 the date November 15 and substitute December 6 as the effective date. Please proceed to hear complaints in accordance with your regular procedure and dispose of the matter in the regular way. I did not authorize Mr. Geraghty to make any representations to you of this department's position in the controversy. Please consider the company as my representative for purpose of service as well as representing the merits of the case. A. S. BurlerSON, Postmaster General."

And whereas, in compliance with such telegram the Commission has changed such dates to have such tariffs bear the notation " Effective December 6, 1918," and

Whereas, it is necessary in order to make proper investigation as to the reasonableness of said rates, to suspend the effective date of the operation of such tariffs, and

Whereas, the Commission fixed the twenty-sixth day of December, 1918, at Olympia, Washington, at one o'clock p. m. of said day, as the time and place for hearing any and all protests which might be made against such proposed rates, and

Whereas, the Commission did extend the date of said hearing to January 15, 1919, at Olympia, Washington, at one o'clock p. m. of said day, and did on said date commence the taking of testimony in said cause and completed the same on January 17, and upon the close of taking of testimony the attorneys of the respective parties requested a transcript to be made, and ten days allowed within which the respective attorneys should file their briefs, which time was allowed, and

Whereas, on November 29, 1918, the Commission entered an order* suspending the operation of said tariffs to January 29, 1919, and it now appearing to the Commission that a decision of the above entitled proceeding cannot be completed by said date,

Now, therefore, it is ordered, That said tariffs of The Pacific Telephone and Telegraph Company, W. P. S. C. No. 2, and of The Home Telephone and Telegraph Company of Spokane, W. P. S. C. No. 2, be, and the same are hereby, suspended for the period of an additional thirty days from and after January 27, 1919, *provided*, however, that in the order which the Commission may make in the premises, should it permit an increase of rates, such increases shall become effective on and after December 6, 1918.

Witness, the Public Service Commission of Washington this twenty-third day of January, 1919.

* Said order was similar in form to the order set forth above.

WEST VIRGINIA.

Public Service Commission.

In re APPLICATION OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY FOR APPROVAL OF RATES MADE IN PURSUANCE OF ORDER OF POSTMASTER GENERAL, No. 2495, PUTTING INTO EFFECT CERTAIN CLASSIFICATIONS OF TOLL SERVICE AND CERTAIN TOLL RATES, EFFECTIVE JANUARY 21, 1919.

Decided January 20, 1919.

Authority to File, on Less than Thirty Days' Notice, Toll Rates and Toll Service Classifications Authorized by Postmaster General, Denied.

RULING.

Your Mr. Kelly has this day left in this office Telegraph and Telephone Service Bulletin No. 22, Order No. 2495, of the United States Telegraph and Telephone Administration, together with "Instructions for Determining the Rates and Charges on Long Lines Business for the Different Classes of Toll Service Established by said Order," and also "First Reference List for Rates of the American Telephone and Telegraph Company to Points Within the State of West Virginia," which order is dated December 13, 1918, and effective January 21, 1919.

Section 9, of the Public Service Commission Law of West Virginia, reads as follows:

"No person, firm or corporation subject to the provisions of this Act shall modify, change, cancel or annul any rate, joint rate, fares, classifications, charge or rental except after thirty days' notice to the Commission and the public, . . .".

As the order and the papers attached thereto contemplate a change in the rates, rules and regulations of the American Telephone and Telegraph Company within the State of West Virginia, and as said order was not filed with

C. L. 87]

this Commission until one day before its effective date, thereby not giving thirty days' notice to the public and this Commission, as required by said Section 9 of the Public Service Commission Law of this State, said order and the rates provided for therein are rejected and will not be filed in the office of this Commission.*

January 20, 1919.

* Letter of R. B. Bernheim, secretary, West Virginia Public Service Commission, to H. S. Brooks, general commercial superintendent, American Telephone and Telegraph Company, January 20, 1919.

WISCONSIN.

Railroad Commission.

In re APPLICATION OF COLOMA TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1005.

Decided December 30, 1918.

Increase in Rural Rates Authorized.

OPINION AND DECISION.

The Coloma Telephone Company filed on June 24, 1918, an application for authority to increase its rates, for the reason that operators' wages and costs of materials and supplies have increased to such an extent so that the revenue derived from the present rates is no longer sufficient to meet all the necessary charges, and provide the stockholders with a fair return upon their investment. The rate in effect at present is \$11.00 a year per subscriber, or \$1.10 a month payable in advance. It is proposed by the applicant to raise this charge for service to \$13.00 a year, or \$1.25 a month payable in advance.

A hearing in the matter was held July 24, 1918, at the offices of the Commission. *F. W. Ploetz*, president, appeared in behalf of the applicant. No one appeared in opposition.

The Coloma Telephone Company is a farmers' co-operative company which owns and operates a rural grounded telephone system in the southwestern part of Waushara County, with an exchange located in the village of Coloma and another exchange located at Richford. Twenty-three circuits with 298 subscribers are connected to the Coloma exchange, and the Richford exchange serves 64 subscribers over 5 circuits.

C. L. 87]

The operating expenses, exclusive of depreciation and interest, for the year 1917 were \$2,604.88, and the taxes were \$103.37, making a total of \$2,708.25. This is an average expense of \$7.48 per subscriber which is below the normal for companies of this character. The company is obliged to increase the operators' wages \$579 this coming year; in addition to that, other increases in operating expenses will amount to about \$300. Based on these considerations we estimate that the operating expenses and taxes for this coming year will be about \$3,592.85.

The proposed rates would give the company about \$4,700 from subscribers. Last year the earnings from connecting lines and commissions on long distance tolls amounted to \$417.69. We are safe, therefore, in assuming a total future revenue at the rates proposed of about \$5,117. According to this the company would have about \$1,525 available for depreciation and interest. The company's books do not show accurately the investment in the plant. If we capitalize the above amount available for depreciation and interest at 14 per cent. we get \$10,900 as a rate base. We have applied certain average unit costs to the company's lines and plant equipment which results in a physical property value of close to \$17,000. It accordingly appears that the company is clearly entitled to the increases in rates which are requested and that such rates do not in any way afford the company an excessive or unreasonable return. Furthermore, the proposed rates appear to be fair and reasonable in and of themselves.

It is, therefore, ordered, That the Coloma Telephone Company be authorized to discontinue its present rate schedule and put into effect January 1, 1919, the following charges:

\$13.00 a year per subscriber, payable in advance, or \$1.25 a month per subscriber, payable in advance.

Dated at Madison, this thirtieth day of December, 1918.

In re APPLICATION OF EASTERN FOND DU LAC COUNTY TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

U-1007.

Decided December 30, 1918.

Increase in Rates Authorized — Abandonment of Flat Rate and Substitution of Class Rates, Authorized — Prompt Payment Discount Authorized.

OPINION AND DECISION.

The Eastern Fond du Lac County Telephone Company filed an application September 30, 1918, requesting authority to increase its rates charged for telephone service. The rate in effect at present is \$14.00 a year per subscriber for party line service. The applicant states in the petition that this rate affords the company insufficient revenues to meet operating expenses, maintenance and depreciation charges, and allow the stockholders interest upon the investment. It is proposed to put into effect the following schedule of rates:

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
One-party business telephone.....	\$2 25	\$2 00
Two-party business telephone.....	2 00	1 75
One-party residence telephone.....	2 00	1 75
Two-party residence telephone.....	1 75	1 50
Twelve-party rural telephone.....	1 75	1 50

Hearing in the matter was held October 30, 1918, at the offices of the Commission, at which *John Rohlf*s, manager, and *W. J. Nast*, assistant secretary, appeared for the applicant. No one appeared in opposition.

The Eastern Fond du Lac County Telephone Company owns and operates a rural telephone system with an exchange located about five miles east of the village of Eden. Service is afforded to 281 subscribers over full metallic circuits. The exchange equipment consists of a 200-drop magneto switchboard with 33 drops installed.

C. L. 87]

The company contemplates moving its exchange from its present location to the village of Eden this coming spring. At the present time the business places of Eden are being served with rural party lines. After the exchange is moved to its new location the subscribers at Eden, if they desire it, can be supplied with single line and two-party line service. This improvement in the service is something which seems to be very much desired by the subscribers in the village of Eden. The moving of the exchange to Eden will also be of material benefit to subscribers using the lines of the Wisconsin Telephone Company for long distance service. At the present time connection with the long distance toll lines is had over trunks running from the company's exchange to Wisconsin Telephone Company's exchange at Fond du Lac. In addition to the regular toll charges the Eastern Fond du Lac County company collects another-line charge of 5 cents for subscribers and 15 cents for non-subscribers. With the exchange relocated, direct connection with the Wisconsin Telephone Company's copper toll circuits will be made at Eden, which will eliminate these other-line charges and will also result in a substantial improvement of the service afforded to the company's subscribers and to the public at large. In moving the exchange the company will be subjected to a certain amount of expense in bringing its subscribers' circuits into Eden. Additional circuits will have to be strung and for a part of the way it will be necessary to set larger poles in order to carry the heavier load. This relocating of the exchange will mean an increase in the company's investment. Just what it will amount to is impossible to determine at this time.

On account of recent changes in the office of the secretary of the company it is impossible to get a complete and accurate financial history of the company's operations. The income statement for the year 1917 is given in full in the following table:

INCOME STATEMENT, YEAR ENDING DECEMBER 31, 1917.

Operating Revenues:

Subscriber telephone earnings.....	\$3,703 36
Earnings from local toll lines.....	792 85

TOTAL OPERATING REVENUE.....	\$4,496 21
------------------------------	------------

Operating Expenses:

Central office	\$694 21
Wire plant	986 08
Substation	406 46
Commercial	83 00
General	241 00
Undistributed	129 29

TOTAL OF ABOVE ITEMS.....	\$2,540 04
Depreciation	976 80
Taxes	193 14

TOTAL OPERATING EXPENSES.....	\$3,709 98
-------------------------------	------------

NET OPERATING REVENUE.....	\$786 23
----------------------------	----------

At the present time the company has an arrangement with its lineman and family for the operation of the exchange and the current maintenance and repair work, according to which the company pays \$135 a month for all this work. It is claimed by the company that this payment will have to be increased to \$150 or \$160 a month. The wages of other laborers who have to be hired from time to time have also undergone a considerable increase, as well as the costs of all materials and supplies. Bearing all these increases in mind, we estimate that the operating expenses and taxes this coming year will be about \$3,175. The company last year enjoyed a total operating revenue of \$4,496.21. According to this the company would have available for depreciation and interest about \$1,325. The last annual report shows a book value of \$17,180.98, which appears to be somewhat less than it would cost to reproduce the system at normal times using average unit costs. It is evident, therefore, that the revenues derived under the present rates are not sufficient to take care of the

C. L. 87]

increased costs of operation and the necessary depreciation charges and allow the stockholders a fair return upon the value of their property. All surplus earnings of the past, after paying interest upon indebtedness, were left in the plant because no dividends have ever been paid to the stockholders.

We believe that the rates which are proposed in the application are somewhat higher than the circumstances justify. In this connection we are also taking into consideration the fact that the income statements for the past few years may not reflect with absolute accuracy the exact costs of operation. Several years ago the company suffered severe damages from a sleet storm and a large part of the costs of the extra repairs and maintenance were charged to current operating expenses. Under the rates which we are authorizing we estimate the company will have an annual income of about \$5,200. It is difficult to make anything more than an approximation because it is not definitely known what classes of service the subscribers in the village of Eden may select, and the company will also lose a certain amount of revenue after the exchange is relocated, and long distance calls will no longer be subject to an other-line charge. After these rates have been in effect for a year or longer, and a careful and proper record showing the distribution of expenditures is kept, it will be possible to tell more readily whether the company is in need of still more revenue than these suggested rates will yield. We do, however, feel that these rates are reasonable in and of themselves and are not in any way excessive.

It is, therefore, ordered, That the Eastern Fond du Lac County Telephone Company be authorized to discontinue its present schedule of rates and a substitute for it the following:

	<i>Per Month</i>
Single line business telephone.....	\$2 00
Two-party business telephone.....	1 75
Single line residence telephone	1 75
Two-party residence telephone.....	1 50
Multi-party telephone	1 60

If the telephone charges are paid in advance the above rates are subject to a discount of 25 cents per month.

The above schedule of rates may become effective January 1, 1919.

December 30, 1918.

In re APPLICATION OF HOME TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1008.

Decided January 1, 1919.

**Increase in Rates Authorized — Practice of Referring Originating Toll
Calls to Manager Before Putting them Through Ordered Dis-
continued — Company Should Secure Ownership
of Stub Lines and to be Responsible for
Their Maintenance.**

OPINION AND DECISION.

The Home Telephone Company of Richland Center, Wisconsin, owns besides some local toll lines 24 rural lines which are connected to the switchboard of the Richland Telephone Company at Richland Center. It has a total of 215 subscribers on these lines who, with the exception of two receiving two-party service, for which they pay a rate of \$2.00 per month, are paying \$1.00 per month. The rates cited are net, subscribers being billed at 25 cents per month additional, which is discounted if payment of rental is made on or before the last day of the month for which rental is due. The present rates are alleged to be inadequate to cover operating costs as of the present time, and accordingly petition is made to replace the present with the following increased rates:

	<i>Per Month</i>
Business one-party net.....	\$2 25
Business two-party net.....	2 00
Rural subscribers net.....	1 50

C. L. 87]

Hearing in this matter was held November 12, 1918, at Madison, Wisconsin. *R. E. Fenske* appeared on behalf of the Home Telephone Company. There were no appearances in opposition.

All rural lines are grounded. Subscribers are switched by the Richland Telephone Company, and have free service with all subscribers directly connected to the latter company's switchboard, or 1,052 in total.

Applicant's property, according to an exhibit presented at the hearing, consists in the main of 65 miles of poles, 240 miles of wire, and 225 subscribers' stations. This property is valued by applicant at \$5,500, or \$25.60 per station. The reproduction cost of the property is without question considerably above \$5,500.

The following detailed statement was submitted by applicant to show its operating revenues and expenses for the twelve months ended December 31, 1917, and the ten months ended October 31, 1918:

STATEMENT OF OPERATING REVENUES AND EXPENSES.

<i>Classification</i>	<i>Twelve Months Ended Dec. 31, 1917</i>	<i>Ten Months Ended Oct. 31, 1918</i>
Operating Revenues:		
Earnings from telephone rentals.....	\$2,485 00	\$2,039 00
Toll earnings	463 34	551 72
Miscellaneous earnings	112 50	.....
TOTAL OPERATING REVENUES	\$3,060 84	\$2,590 72
Operating Expenses:		
Central office — switching charges.....	\$594 85	\$570 75
Wire plant expenses — labor	420 00	480 00
Substation expenses:		
Batteries	168 00	183 09
Other materials	18 60	6 70
Labor	420 00	480 00
TOTAL	\$606 60	\$669 54
Commercial expenses:		
Bookkeeping	\$120 00	\$120 00
Stamps and stationery.....	8 00	32
TOTAL	\$128 00	\$120 32
General expenses:		
Receipt book	\$2 00	.....
Collection costs .....	.....	\$21 12
TOTAL	\$2 00	\$21 12
Undistributed expenses:		
Gasoline — horse feed	\$45 74	\$120 00
Auto repairs and barn rent.....	157 77	18 00
Horseshoeing .....	.....	6 70
Horse tonic .....	.....	2 50
Livery teams .....	.....	14 00
TOTAL	\$203 51	\$161 20
TOTAL OF ABOVE EXPENSES.....	\$1,954 96	\$2,023 18
Available for taxes, depreciation and interest	1,105 88	\$567 54

C. L. 87]

In explanation of the foregoing statement it may be said that the \$112.50 of miscellaneous revenues in 1917 resulted from the rentals applicant received from the lessee of a line which is now used by itself for toll purposes. The toll earnings for the ten months of 1918 are relatively high because certain increased toll rates which were effective for only a portion of the 1917 operating year were effective throughout 1918 to date. In the expenses as reported certain adjustments should be made in order to have present conditions fully reflected. The Richland Telephone Company was recently authorized* to charge \$6.00 per telephone per year for switching. This will make the central office expenses for a ten-months' period, assuming 215 telephones are switched, \$1,075 instead of \$570.75. For wire plant, plus substation operating labor, we note applicant has charged \$960, or \$96.00 per month. In addition, \$120 of labor has been charged to commercial expenses. The testimony indicates that one of the owners devotes his time to the utility, performing all services such as shooting trouble, overhauling lines, building extensions, keeping records, etc., for which he receives \$90.00 per month. Since undoubtedly much of his time is consumed in construction and reconstruction work, it appears fair to divide his salary, charging only a portion to operating expenses and the balance to the capital account and depreciation reserve. For the purposes of this case we shall assume \$600 is a reasonable amount to charge to operating expenses for a ten-months' period. As to the other expenses as contained in the statement, we raise no question as to the propriety of allowing them in full. The adjustments suggested result in the following revenues and expenses for a ten-months' period:

* See Commission Leaflet No. 84, p. 269.

Total operating revenues.....		\$2,590 72
Total of expenses as reported.....	\$2,023 18	
Adjustments:		
Increase in switching costs.....	504 25	
Decrease in labor costs.....	480 00	
Total of expenses as adjusted.....		2,047 43
Available for taxes, depreciation and interest.....		\$543 29

On the basis of the preceding statement there would be available for taxes, depreciation and interest as a result of a year's operations \$651.96, or the equivalent of 15 per cent. upon \$4,346. This is undoubtedly too small an allowance for fixed charges on applicant's property.

We are informed that applicant's policy with reference to long distance service has been to refer all originating calls to its manager before allowing such calls to be put through. This may or may not be the practice at the present time, but in order to forestall a reversion to such practice in the future we deem it advisable to specifically prohibit this method of handling originating long distance calls. Such costs as may be involved in collecting toll and other rentals from subscribers will be given consideration in the rates about to be authorized — the collection expenses as reported by applicant being in our opinion inadequate.

Applicant's subscribers have in many instances built the stub lines from their premises to the main pole leads. These stub lines vary in length, some of the longer ones being from one-half to one mile long. Applicant does not profess to own these stub lines. It does, however, partly maintain them in that its lineman shoots the trouble upon them. But all materials, including poles, wires, brackets, insulators, etc., which have to be used in repairing or replacing these branch lines are provided by the subscribers who own them. We believe the Home Telephone Company should secure the ownership of these stub lines and make itself solely responsible for their maintenance at the earliest convenient time.

C. L. 87]

Considering the inadequacy of certain operating expenses as reported by applicant, the increased switching rate, and a conservative estimate of the reproduction cost of the physical property which, as has already been said, consists in the main of 240 miles of wire, 65 miles of pole lead, and 225 subscribers' stations, we believe it would be reasonable to authorize applicant to increase its rates to rural subscribers from \$1.00 to \$1.25 per month. The proposed two-party business rate would be applicable only to two subscribers — the Richland County Asylum and Poor House. The proposed single party business rate would not apply to any subscribers at present. Both of these rates should be satisfactory from the subscribers' viewpoint.

When applicant keeps its accounting records in good shape, keeping its operating accounts separate from its capital accounts; when it takes over the ownership of the stub lines and provides for their complete maintenance; and when an appraisal or a more detailed inventory of its property is secured than is now available, it is quite likely that higher rates than those here authorized would be found reasonable.

It is, therefore, ordered, That applicant, the Home Telephone Company of Richland Center, be, and the same hereby is, authorized to substitute for its present the following rates:

Business, one-party per month, gross.....	\$2 50, net	\$2 25
Business, two-party per month, gross.....	2 25, net	2 00
Rural subscribers per month, gross.....	1 50, net	1 25

Subscribers shall be billed at the gross rates, but if payment is made on or before the last day of the month for which bill is due the net rate only shall be collected. These rates may become effective January 1, 1919.

It is further ordered, That all subscribers of the Home Telephone Company shall be extended long distance service without first having their calls passed upon or referred to the manager or any official of any telephone company interested in the handling of such calls. This shall not be con-

strued as interfering in any way with such operating routine as is ordinarily required in the handling of toll calls.

Dated at Madison, Wisconsin, this first day of January, 1919.

In re APPLICATION OF BADGER TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1009.

Decided January 1, 1919.

**Increase in Rural Rates Authorized — Book Value of Total Property
in Two Exchanges Used — Approximately 8 Per Cent. Allowed for
Rate of Return — Different Rates Prescribed for Exchanges
Having Different Numbers of Subscribers — Approximately
4½ Per Cent. Estimated for Reserve for Depreciation.**

Applicant, which has 136 stations at Bloom City, and also has 230 stations switched for it by Richland Telephone Company with free service to 1051 subscribers of that company, sought authority to increase its present gross rate of \$3.75 per quarter to \$5.25 per quarter. There is in effect an 8-cent toll charge on all messages between Bloom City and Richland Center. Applicant reported its book value as of September 30, 1918, at \$14,337.49 and, allowing \$642.82 for reserve for depreciation, reported net revenues for the first nine months of 1918 of \$256.79, or 2.4 per cent. The Commission, after making certain adjustments and allowances for increased expenses, found that the net revenues in 1918 would be \$21.61, and with net rates for Richland Center subscribers of \$4.50 per quarter, and Bloom City subscribers of \$3.75 per quarter, that the net revenues would be approximately \$1,400.

Held: That the Commission was satisfied that the value claimed by applicant was substantially equivalent to the present reproduction cost;

That \$1,147 would be a fair allowance for a return on investment;

That in view of the limited character of service at Bloom City, and the toll charges to Richland Center, the most equitable procedure would be to determine rates for the two exchanges involved independently of each other;

That in view of the total costs involved under present operating conditions, both as to their amounts and their incidence, the net rates of \$4.50 and \$3.75 per quarter should be authorized, bills to be rendered at gross rates 75 cents higher, and subject to discounts of 75 cents, 50 cents and 25 cents, respectively, when paid in the first, second or third months of the quarter.

OPINION AND DECISION.

The Badger Telephone Company in a petition filed with the Commission September 30, 1918, states among other things that it has in effect at present a rate of \$3.75 per quarter payable in advance, and subject to discounts of 75 cents if paid during the first month of the quarter, of 50 cents if paid during the second month of the quarter, and of 25 cents if paid during the third month of the quarter. Said rate is alleged to be inadequate to pay operating expenses and provide for depreciation and a reasonable return on the investment. Authority is accordingly requested to place in effect a rate of \$5.25 per quarter, payable in advance and subject to the same discounts as the present rate.

Hearing in this matter was held October 31, 1918, at Madison, Wisconsin. *J. F. O'Connell*, secretary of the Badger Telephone Company, appeared on its behalf. There were no other appearances.

The Badger Telephone Company has a number of rural grounded lines radiating from Richland Center and some radiating from Bloom City, a rural village about 11 miles by air line and 17 by road north by west of the city of Richland Center. Switching service for these subscribers is performed by the Richland Telephone Company of Richland Center, applicant having no central office of its own at that place. On the lines about Bloom City applicant has 62 subscribers. Applicant operates a central office at Bloom City, which in addition to switching its own subscribers performs switching service for 74 subscribers on connecting companies' lines. In fact, applicant may be said to be operating two exchanges. Subscribers of either exchanges are at present obliged to pay a toll charge of 8 cents per message when communicating with subscribers of the other exchange, the free service being limited to subscribers within any one exchange plus the subscribers of other companies directly connected to the same switchboard. This means that each subscriber of the Richland Center exchange enjoys free service with 1051 subscribers, and that each

subscriber of the Bloom City exchange enjoys free service with but 135 subscribers.

In its Exhibit I. presented at the hearing applicant represents its book value of the total property to have been \$14,284.97 as of December 31, 1917, and \$14,337.49 as of September 30, 1918. The last annual report shows the property as of December 31, 1917, included the central office equipment at Bloom City, 12 miles of poles at Bloom City, and 91 miles of poles at Richland Center, 230 miles of rural wire, and 43 miles of toll wire, besides the subscribers' stations and some general equipment. The amounts assigned to these various classes of property were as follows:

Central office equipment.....	\$175 12
Wire plant construction and equipment.....	8,583 70
Subscribers' station equipment.....	4,082 33
General office equipment.....	64 50
Tools, testing and miscellaneous equipment.....	1,379 32

TOTAL COST OF PLANT AND EQUIPMENT..... \$14,284 97

After a rather detailed analysis of the property owned by applicant we are satisfied that the value claimed by it is substantially equivalent to the present reproduction cost. We estimate the division of the property as between the Richland Center exchange, the Bloom City exchange, and the toll system to be as follows:

Richland Center exchange.....	\$10,558 62
Bloom City exchange.....	2,078 87
Toll system	1,700 00

\$14,337 49

The operating revenues and expenses have not until recently been kept in such manner as would warrant our giving them much consideration in a rate case. This was one of several factors which led the Commission to deny applicant an increase of rates in a previous petition, the decision in which was entered July 21, 1917.* In Sep-

* See Commission Leaflet No. 69, p. 750.

C. L. 87]

tember of 1917 a system of accounting such as is prescribed by the Commission was installed, and since that time fairly reliable accounting records have been kept. The revenues and expenses for the nine months ended September 30, 1918, are reported as follows:

Operating Revenues:

Exchange earnings	\$2,932 13
Toll earnings	463 66
Miscellaneous earnings	26 74
TOTAL OPERATING REVENUES	\$3,422 53

Operating Expenses:

Central office expenses	\$868 69
Wire plant expenses.....:	443 11
Substation expenses	429 72
Commercial expenses	128 82
General expenses	149 86
Undistributed expenses	421 72
TOTAL OF ABOVE EXPENSES	\$2,441 92
Taxes	81 00
Depreciation (estimated by Commission).....	642 82
TOTAL OPERATING EXPENSES	\$3,165 74

Net operating revenues.....	\$256 79
Annual return on \$14,337.49.....	2.4 per cent.

Certain adjustments should be made in the statement of operating revenues and expenses before a definite conclusion as to the necessity for further revenues is arrived at. One is that prior to presumably July 1, 1918, various rates were in effect for switching service at Bloom City, some companies paying a flat charge of \$2.00 per month per line, while others paid 50 cents per month per telephone. By the terms of an order* issued by us April 29, 1918, and effective since July 1, 1918, the switching rate was uniformly established at \$4.00 per telephone per year. The net result of this adjustment was to increase the earnings

* See Commission Leaflet No. 78, p. 1665.

from switched companies by about 50 per cent. The exchange earnings for the nine months ended September 30, 1918, include the earnings actually made on the switching service, but do not reflect fully the earnings which would have resulted had the present switching rate prevailed throughout the nine months, in which case we estimate the exchange earnings and likewise the total operating revenues would have been greater by about \$50.00. Several adjustments will need to be made in the operating expenses in order that they may represent the actual expenses under present conditions. To presume that applicant's maintenance expenses have been somewhat above normal within the past nine months because of a general overhauling and rebuilding of wire plant which, besides necessitating a greater than normal supply of materials and supplies, has also required some additional maintenance help. These unusual costs should have been debited to the depreciation reserve, but apparently have been charged to the operating expenses. Undoubtedly some of the regular lineman's salary and some materials and supplies should annually be debited to the depreciation reserve and a prorate of these costs should have been, but was not, debited to the depreciation reserve as well as the unusual costs already mentioned. For the purposes of this case we shall therefore assume that for the nine months' period ended September 30, 1918, \$2,000 of the \$2,441.92 of variable charges represent actual operating expenses and that the balance represents expenses which should have been debited to the depreciation reserve or the capital account. The expenses as reported are, however, lower than those which would result had the present scale of wages and switching service costs been in effect prior to September 30, 1918. By the Commission's decision and order in the *Application of the Richland Telephone Company for Authority to Increase Rates*,* tendered September 30, 1918, the switching rate which the Badger Telephone Company is obliged to pay to the Richland Telephone Company was increased from \$3.00 to

* See Commission Leaflet No. 84, p. 269.

C. L. 87]

\$6.00 per telephone, per year, effective as of October 1, 1918. This will increase applicant's annual central office expenses by \$690. Besides, applicant testified that its lineman's salary was increased from \$60.00 to \$80.00 per month effective from November 1, 1918. Moreover, in its decision of the Richland Telephone Company case already alluded to,* the Commission made a direct charge of certain expenses to three other public utilities, one of which is the Badger Telephone Company. These direct charges totaled \$112.99, and were intended to represent the shares of these other public utilities in certain general expenses incident to the keeping of their general accounts, much of which is done in the office of the Richland Telephone Company at Richland Center. Of the \$112.99, \$30.00 is perhaps fairly assessable to the Badger Telephone Company. Our attention is also called to the fact that heretofore the operating expenses of the Badger Telephone Company have included only nominal allowances for general officer's salary and that rates now established should provide for further managerial expenses in the future. Extending the revenues and expenses for the nine months' period so that they will be representative of a year's operation, and making such adjustments as have been pointed out, managerial expenses excepted, results in the following:

Total operating revenues extended.....	\$4,563 37	
Adjustment	50 00	
		<hr/>
TOTAL OPERATING REVENUES AS ADJUSTED.....		\$4,613 37
Total operating expenses extended.....	\$3,631 76	
Adjustments:		
Increased switching service costs.....	690 00	
Increase in lineman's salary.....	240 00	
Direct charges by Richland Telephone Com- pany	30 00	
		<hr/>
TOTAL OPERATING EXPENSES AS ADJUSTED.....		4,591 76
		<hr/>
NET OPERATING REVENUES AS ADJUSTED.....		\$21 61

* See Commission Leaflet No. 84, p. 269.

Assuming constant revenues and expenses such as have been described now exist it appears that the present rates will produce practically no revenues to cover interest costs, for which purpose it is our opinion \$1,147 would be a fair allowance. This being the case leaves little doubt but what substantial increases in rates should be authorized.

Applicant now has, and would continue to have were its proposed rates authorized, equal rates in effect at the Richland Center and the Bloom City exchanges. However, applicant has agreed with us that in view of the fact that it is important for the Bloom City subscribers to communicate with Richland Center, but that for such service they must pay toll charges, and in view of various other factors including the more limited character of the Bloom City service, the most equitable procedure in this case would be to determine the rates for the two exchanges involved independently of each other.

After due consideration of the total costs involved under present operating conditions both, as to their amounts and their incidence, we are of the opinion that the following net rates are reasonable:

Richland Center subscribers.....	\$4 50 per quarter
Bloom City subscribers.....	3 75 per quarter

The above rates, together with the other sources of revenue, will yield revenues as follows:

Richland Center subscribers' earnings, 230 at \$18.00.....	\$4,140
Bloom City subscribers' earnings, 62 at \$15.00.....	930
Bloom City switched subscribers, 74 at \$4.00.....	296
Toll revenues	618
Miscellaneous revenues	36
TOTAL	\$6,020

The total operating costs of which recognition has previously been taken total \$5,738.76. To this amount should be added \$40.00 for increased taxes, making total costs of \$5,778.76. The difference between the estimated total revenues and the total adjusted expenses, plus such revenues

C. L. 87]

as will naturally result from the normal development of the business, will be sufficient, we feel, to provide for any increased managerial expenses which applicant may be at this time entitled to.

The discount provision and other rules and rates now in effect will be left undisturbed by our order in this case.

It is, therefore, ordered, That the applicant, the Badger Telephone Company, be, and the same hereby is, authorized to substitute for rates now in effect the following increased rates:

Subscribers on lines directly connected to Richland Telephone Company's switchboard at Richland Center. Per quarter, gross \$5.25, net \$4.50.

Subscribers on lines directly connected to applicant's Bloom City switchboard. Per quarter, gross \$4.50, net \$3.75.

Bills shall be rendered at the gross rates, but discounts therefrom of 75, 50 and 25 cents, respectively, shall be given, depending upon whether bills are paid in the first, second or third months of the quarter for which they may be due. These rates become effective January 1, 1919.

It is further ordered, That all rules, including such as relate to the time and method of making payments of rentals, together with all rates and charges not in conflict with the rates provided in this order, shall remain in full force and effect as heretofore.

Dated at Madison, Wisconsin, the first day of January, 1919.

In re ALLEGED REFUSAL OF MARSHFIELD RURAL TELEPHONE COMPANY TO EXTEND SERVICE TO CHAS. W. MEYERS.

U-1014.

Decided January 8, 1919.

Rural Company Ordered to Extend Service to Complainant upon Payment of Part of Cost of Extension or Subscription to Stock.

OPINION AND DECISION.

This complaint was first called to the attention of the Commission in correspondence and, after attempts to

adjust the complainant's grievance informally, the matter was set for hearing at the city of Marshfield September 18, 1918. At the hearing *Chas. W. Meyers* appeared on his own behalf and *John Brinkman* and *P. A. Eberhart* appeared on behalf of the respondent company. It appeared in substance that the complainant, Mr. Meyers, had been endeavoring to procure telephone service from the Marshfield Rural Telephone Company for some time and, on one occasion, an attempt was made by the company to extend a line to reach the complainant and several of his neighbors. Later the neighbors determined that they did not care to have the service and the company refused to construct the extension to serve Mr. Meyers alone.

Mr. Meyers' residence is situated east of the city of Marshfield, just a short distance beyond the city limits. Intervening between his residence and the thickly populated portion of the city is a large experimental farm. The Marshfield Rural Telephone Company has a line running toward the city from the east, and running to within a mile and a quarter or less of Mr. Meyers' house. It is this line from which Mr. Meyers hopes to procure service.

The Marshfield Rural Telephone Company is a small rural company giving service to renters as well as stockholders. Its shares are of a par value of \$50.00 each. It was testified by Mr. Meyers and admitted by the representatives of the company that Mr. Meyers had proposed to purchase two shares of stock in the company to discharge in part the cost of constructing the line to reach him. It was shown in evidence also that at least one other subscriber could be obtained if the line were constructed from its present terminus to the Meyers house.

The company contended that it did not desire to build the line unless the entire cost was paid by the complainant. This cost it was estimated would be in the neighborhood of \$200. It was testified that it would take approximately 44 poles and 500 pounds of wire to construct the extension. Careful review of the figure submitted by the company indi-

C. L. 87]

cates that their estimate of the cost of the construction is somewhat excessive. Exclusive of the instrument, which would cost in the neighborhood of \$12.75, the cost of constructing the line on the basis of present prices would be between \$160 and \$165. If Mr. Meyers subscribed and paid for two shares of stock it would seem that the company could well afford to construct the extension to reach him, particularly in view of the prospect of procuring another subscriber on the extension.

Some testimony was adduced as to the possibility of Mr. Meyers procuring service from either the Marshfield telephone exchange or the Mill Creek Telephone Company, both of which are operating in the neighborhood. Substantial reasons were given why it would be more convenient for him to obtain service from the nearby line of the respondent company than from either of the other companies mentioned. It is true that the line which it is proposed to extend already has 14 subscribers attached, which is something of an overload, but the addition of one, or perhaps two, subscribers to this line will not load it more heavily than are other lines of the same company, and it is probable that some time in the not distant future a readjustment of the circuits will be made which will reduce the number of subscribers attached to each line so as to conform to the standards of the Commission.

It is, therefore, ordered, That the Marshfield Rural Telephone Company extend its lines eastward along the highway toward the city of Marshfield to reach the residence of Chas. W. Meyers, on the condition that said Chas. W. Meyers pay to the company the sum of \$100 toward defraying the cost of construction, such payment to be either in the form of a subscription to the capital stock of the company or a cash contribution toward the cost of the line.

Said extension shall be constructed and service given before the first day of May, 1919.

Dated at Madison, Wisconsin, this eighth day of January, 1919.

In re APPLICATION OF PLATTEVILLE, REWEY AND ELLENBORO
TELEPHONE COMPANY FOR AUTHORITY TO ESTABLISH A
TOLL RATE BETWEEN CUBA CITY AND PLATTEVILLE.

U-1016.

Decided January 15, 1919.

**Toll Rate, in Lieu of Free Interchange Service, Authorized — Division
of Toll Prescribed.**

OPINION AND DECISION.

Application in the above-entitled matter was filed with the Commission October 9, 1918, and a hearing held therein November 8, 1918, at Madison, Wisconsin. The only appearances entered were *N. E. Adkinson*, president, and *Grin W. Aiken*, manager, both on behalf of the petitioning utility.

The facts as related in the testimony to be considered in this case are that there is a clear metallic circuit connecting the central office of the Platteville, Rewey and Ellenboro Telephone Company at Platteville with the central office of the Cuba City telephone exchange at Cuba City; that the distance between these two central offices is about 12 miles via the circuit but only 9 miles by air line; that service over this circuit is now and always has been free, but that the service is not the best because there is no present provision for regulating the number or the duration of messages on the line, which results in often delaying important and urgent conversation. In order to improve the character of the service petitioner asks to be authorized to place in effect a toll charge of 10 cents for the first three minutes and 5 cents for each additional two minutes, the same to be applied on all messages between Cuba City and Platteville.

The situation is quite comparable with that presented in a case by the Farmers' Telephone Company of Beetown* within the past year praying for the establishment of a toll rate between Lancaster and Platteville — 21 W. R. C. R.

* See Commission Leaflet No. 81, p. 1085.

C. L. 87]

281 — and should, we believe, be similarly treated. Whether the revenue which will accrue from the toll rate will be excessive can not well be determined until such rate has been in effect for some time, but unless the traffic between Cuba City and Platteville is unusual, which does not appear to be the case, we do not think that excessive revenues will result. We shall therefore issue an order in this matter similar to the order in the case cited above.

It is, therefore, ordered, That the applicant, the Platteville, Rewey and Ellenboro Telephone Company and the Cuba City telephone exchange, be, and the same hereby are, authorized to collect a charge of 10 cents for each three-minute message, and 5 cents for each two additional minutes or fraction thereof, on all messages passing over the metallic toll line between their respective exchanges at Platteville and Cuba City. .

It is further ordered, That each company shall retain 25 per cent. of the revenues arising from messages originating at its exchange, and the remainder of the toll shall be divided between the two companies in proportion to the number of miles of the toll circuit owned by each.

Dated at Madison, Wisconsin, this fifteenth day of January, 1919.

In re APPLICATION OF PORT WING TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1017.

Decided January 15, 1919.

Increase in Business, Residence, and Rural Rates Authorized — Book Value Used — Allowance of 11 Per Cent. for Reserve for Depreciation and Rate of Return Considered not Excessive.

OPINION AND DECISION.

The application in this proceeding was filed November 9, 1918, and a hearing was scheduled for December 12, 1918, but no appearances were entered. The Port Wing Tele-

phone Company desires to increase its rate to business subscribers from \$1.50 to \$2.00 per month, and to residence and rural subscribers from \$1.00 to \$1.50 per month, for the reason that it is necessary to increase the wages of its employees. Subsequent to the filing of the application a petition signed by 16 of the subscribers was submitted praying that the increase requested by the company be granted; at the same time one of the subscribers wrote a letter protesting against any increase in rates.

The Port Wing Telephone Company, Bayfield County, owns and operates a telephone system in the village of Port Wing and in the adjacent rural territory. The equipment consists of a 200-drop magneto switchboard with 60 lines connected. Thirty-six of these lines serve 39 business and residence subscribers in the village, and 22 serve 90 rural subscribers. There are two toll circuits in service, one between Port Wing and Iron River, another between Port Wing and Herbster. Toll charges of 15 cents and 10 cents are in effect upon messages between Port Wing and these two respective exchanges. All the circuits, both toll and subscribers', are grounded.

The company's last annual report shows that the capital stock outstanding is \$3,430, and the book value of property is carried at \$5,164.88. The company having never paid any dividends put all of its surplus earnings back into the property. It does not appear, however, that in the past years the earnings have been sufficient to cover the necessary depreciation charges and allow the stockholders a fair return upon the value of the property used and useful in the business. The book value of \$5,164.88 indicates an average investment of \$40.03 per subscriber. This appears to be somewhat below the normal, particularly when we realize that the community in which the company operates is rather sparsely settled and that the rural subscribers average less than 5 per circuit.

In 1917 the total operating revenue amounted to \$2,071.41; the operating expenses and taxes were \$1,527.14, leaving

C. L. 87]

\$544.27 available for depreciation and interest. This is but slightly over 10 per cent. upon the book value, which in this proceeding may readily be taken as a rate base and still be on the conservative side. In 1916 the company had \$399.87 available for depreciation and interest, and in 1915 it had but \$325.82. The operating expenses and taxes per subscriber were \$11.83 in 1917. This is a good deal higher than is found in rural systems of this character, but this higher unit appears to be justified by the fact that the wages of the switchboard operator and lineman are spread over a relatively small number of subscribers. It is doubtful whether the costs of switchboard operation would be any higher if the company had twice the number of subscribers.

The company is now confronted with additional increases in operating expenses on account of wage increase. The operators have been paid \$60.00 a month; this has to be increased to \$100. The lineman's wages have to be raised from \$60.00 to \$75.00 a month. These two wage increases result in an increase of operating expenses amounting to \$660 a year. If we add this to the operating expenses of \$1,527.14 for the year 1917 we get \$2,187.14 as our estimate of operating expenses for the year to come. This does not include any increases in the cost of materials and supplies. The rates proposed applied to the present number and class of subscribers will yield a revenue of \$2,382. In 1917 it appears that the company enjoyed a revenue from its toll lines and from commission on long distance calls amounting to about \$400. Consequently we are estimating the total operating revenue to be about \$2,782 under these proposed rates. This would leave the company, after deducting the estimated operating expenses, about \$595 available for depreciation and interest, or about 11 per cent. upon the assumed rate base or value of the property. It can not be said that this amount is excessive, or that the rates proposed in the application are unreasonable considering all the circumstances.

It is, therefore, ordered, That the Port Wing Telephone

Company be authorized to discontinue its present schedule of rates and substitute for it the following:

	<i>Per Month</i>
Business telephone	\$2 00
Residence and rural telephone.....	1 50

These rates may become effective February 1, 1919.

Dated at Madison, Wisconsin, this fifteenth day of January, 1919.

In re APPLICATION OF WISCONSIN TELEPHONE COMPANY FOR APPROVAL OF THE ORDER OF THE POSTMASTER GENERAL, No. 2495, FIXING CHARGES AND CLASSIFICATIONS FOR TOLL SERVICE.

Decided January 20, 1919.

Filing and Approval of Toll Rates and Toll Service Classifications, Authorized by Postmaster General in Order No. 2495, Denied.

Applicant applied to the Commission for its approval of the Postmaster General's Order No. 2495, fixing charges and classifications for toll service. Rates for all of the service intended to be covered by the proposed order have previously been filed and approved by the Commission. At a hearing on January 20, 1919, applicant introduced in evidence the President's Proclamation, the Joint Resolution of Congress, and Orders Nos. 1783 and 2495 of the Postmaster General, but declined to enter upon a further hearing upon the question of the reasonableness of the present toll rates in effect, or to accept the offer of the Commission to correct any unreasonable, unfair, unjust or discriminatory rates, claiming that the orders of the Postmaster General were conclusive. Applicant was unable to state that an increase was necessary for the Wisconsin business considered separately, or that the present rates were non-remunerative.

The Commission concluded that it was the position of the Postmaster General that though the rates in Wisconsin were in and of themselves reasonable, just, non-discriminatory and fully remunerative, yet if the rates, in other parts of the United States were not remunerative, the rates in Wisconsin should be adjusted and put on the same scale as in all other parts of the United States, regardless of the difference in conditions prevailing.

Held: That under the laws of Wisconsin, only such toll charges were effective in the State, for intrastate service, as were on file with and approved by the Commission;

C. L. 87]

That the effect of the proposed order was to revolutionize the toll rate system on intrastate business in Wisconsin, and to increase tremendously the charges for toll service;

That as the object to be attained by the installation of the rates in Wisconsin was not disclosed, and could not be ascertained, and as there was no evidence that such rates were necessary as a war measure, or, if so, in what way, and as the proposed order was not to prevent injury to the business and interests of the people and of the telephone utilities, including those in Wisconsin, but would work injury to the business and interests of the people and of telephone utilities in Wisconsin, the petition for the filing and approval of such rates, for application to intrastate business in Wisconsin, should be disapproved and denied.*

OPINION AND DECISION.

The petition in the above-entitled matter was filed with the Railroad Commission on January 17, 1919. Among the allegations is the following:

"The Postmaster General made said order to prevent injury to the business and interests of the people and of the telephone utilities, including those in the State of Wisconsin; and to prevent such injury to the business and interests of the people and telephone utilities, including those in Wisconsin, it is necessary that the change of rates set forth in said order shall be effective as of 12:01 A. M., January 21, 1919, in accordance with the terms of said order."

Attached to said petition is Exhibit A, being so-called Order No. 2495, dated December 13, 1918, by the terms of which order standard toll rates are proposed to be put in force and effect for intrastate traffic in the State of Wisconsin, which order would provide for a classification of toll telephone service known as station to station messages, person to person calls, appointment calls, messenger calls and collect calls, the station to station, person to person, and appointment calls being proposed on a mileage basis.

The prayer of the petition is that this Commission take

* On January 24, 1919, the Attorney General of Wisconsin made application to the Supreme Court of Wisconsin for a temporary writ of injunction against defendant to restrain it from putting the new toll rates into effect. The injunction was denied, but the Supreme Court took jurisdiction, ordered complaint served on defendant, and gave it ten days to answer or demur. No date for hearing has been set.

such action as it may see fit in the premises, and that the schedule of rates, rules and practices of the Wisconsin Telephone Company be regarded as modified and amended so as to incorporate the terms of said order, and that such amendment and modification be regarded as effective as of 12:01 A. M., January 21, 1919.

Under the laws of the State of Wisconsin only such toll charges are effective in the State of Wisconsin for intrastate service as are on file with this Commission and approved by it. The Wisconsin Telephone Company has such rates on file with this Commission and duly approved for all of the service intended to be covered by proposed Order No. 2495.

The effect of the proposed order is to revolutionize the toll rate system for intrastate telephone business in the State of Wisconsin. Except for some very short distance telephone service, the effect is to tremendously increase the charges in Wisconsin for toll service. It does away with the present schedule for two-minute service in the State of Wisconsin and substitutes in lieu thereof three-minute service of different classes at an increased rate, running over 100 per cent. in many instances.

The matter was set down for hearing at 10:00 A. M., January 20, 1919, at the office of the Commission at the Capitol in Madison. The appearances for the petitioner were *Miller, Mack and Fairchild*, attorneys, of Milwaukee; *John A. Pratt* appeared for the Wisconsin Telephone Association. Mr. Pratt, however, took no part in said proceedings further than entering his appearance.

Upon said hearing the evidence introduced by the petitioner consisted of a proclamation of the President of the United States, pursuant to Joint Resolution of the Senate and House of Representatives, bearing date July 16, 1918, Order No. 2495, and Bulletin No. 2 of Telegraph and Telephone Service, being Order No. 1783.

Upon the hearing, among other things, it appeared from the statements of the representative of the Wisconsin Telephone Company that the applicant did not desire a hearing

C. L. 87]

on the question of the reasonableness of the present toll rates in effect for intrastate service in the State of Wisconsin, claiming that orders of the Postmaster General were conclusive. They had no testimony or evidence to present to show that the present rates were unreasonable, discriminatory or non-remunerative. Upon the offer of the Commission to have a hearing upon the question of the reasonableness of the present toll rates in effect for the State of Wisconsin, the petitioner stated that it did not desire to have any further hearing. Upon the offer of the Commission to correct any of the present existing rates, if in any respect they were unreasonable, unfair, unjust or discriminatory, it was stated that a hearing on said questions was not desired. No evidence was introduced in any form or manner in any way attacking the reasonableness, fairness, justice or non-discriminatory character of the present rates now in force and effect.

The representative of the petitioner was unable to state that an increase in revenue was necessary for the toll business in the State of Wisconsin, considered separately, or that the present rates were non-remunerative. Our conclusion from the statements made was that it was the position of the Postmaster General of the United States that though the rates in the State of Wisconsin, considered separately, were in and of themselves reasonable, just and non-discriminatory, and fully remunerative, yet if toll rates in other parts of the United States were not remunerative, the rates in the State of Wisconsin should be adjusted and be on the same scale within all other parts of the United States, regardless of the difference in conditions prevailing.

The object or purpose to be attained through the installation of the proposed changes in toll rates in the State of Wisconsin was not disclosed, nor could any such object or purpose be ascertained by the Commission. There was no evidence that such rates were necessary as a war measure, or if so, in what way.

We find that said proposed order is not to prevent injury to the business and interests of the people and of the tele-

phone utilities, including those in the State of Wisconsin, and from such showing as was made and from our knowledge of the telephone situation in the State of Wisconsin, we find that the proposed order will work injury to the business and interests of the people and of the telephone utilities of the State of Wisconsin.

The laws of the State of Wisconsin provide, as we have shown, that the telephone companies of the State shall only collect and enforce such toll rates as are legally on file with, and have been approved by, the Railroad Commission of Wisconsin.

It is hereby ordered, That the petition of the Wisconsin Telephone Company for the filing and approval of rates as provided for in so-called Order No. 2495, for application to intrastate telephone business in the State of Wisconsin, be, and the same is, hereby disapproved and denied.

Dated at Madison, Wisconsin, this twentieth day of January, 1919.

In re APPLICATION OF UNITED TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1022.

Decided January 24, 1919.

**Increase in Rates Authorized—Allowance of 14 Per Cent. Made for
Reserve for Depreciation and Return on Investment—Allow-
ance of 8 Per Cent. Made for Return on Investment.**

Applicant sought authority to increase its rates at Blanchardville.

The Commission found that \$10,497.29 approximated the fair value of the exchange, that operating revenues in 1917 were \$3,921.78 and operating expenses, exclusive of taxes, reserve for depreciation and return on investment, were \$3,497.83, leaving available for taxes, reserve for depreciation and return on the investment \$423.95, an amount obviously inadequate for these purposes.

The Commission proceeded to determine the cost of the various kinds of service furnished at Blanchardville by apportioning the total costs, including therein an allowance of 14 per cent. of the depreciable property to cover reserve for depreciation and return on said property, and 8 per cent. on the non-depreciable property to cover the return thereon,

C. L. 87]

to the various classes of service, on the basis of use. Prorating the total costs to each class of service among the subscribers in each class and making an allowance for taxes, the Commission obtained the cost per subscriber which fixed fairly closely the ratios which should exist between the rates for the various classes of service.

Held: That the schedule of rates prescribed by the Commission did not deviate widely from these ratios and should provide sufficient revenues to cover the operating expenses, taxes and allowances for reserve for depreciation and return on investment and leave about \$318.59 to provide for increased operating labor costs.

OPINION AND DECISION.

Application in the above-entitled matter was filed with the Commission September 10, 1918, by the United Telephone Company of Monroe, Wisconsin, a public utility owning and operating telephone exchanges at Monticello, Albany, Blanchardville and Monroe, all in the State of Wisconsin, in addition to certain local toll lines between these and adjacent communities.

This application relates to the rates and charges of the Blanchardville exchange. It represents among other things that the present lawful rates and charges of this exchange are:

Business Subscribers:

One-party, wall telephone, per month.....	\$1 50
One-party, desk telephone, per month.....	1 75

Residence Subscribers:

One-party, wall telephone, per month.....	1 00
One-party, desk telephone, per month.....	1 25

Switched Companies:

Per subscriber, per year.....	3 00
-------------------------------	------

Extensions, Business or Residence:

Complete set, wall or desk, per month.....	50
Talking set only, per month.....	25
Bell (6-inch gong), per month.....	15
Bell (3-inch gong), per month.....	10
Generator, per month.....	10
Extension from business to residence in the same building and for the use of the same subscriber, per month.....	75

Joint User:

Business, privilege or service, per month.....	1 00
Residence, privilege or service, per month.....	50

Excess Radius Charge, Private Line:

First quarter mile outside city limits, per month.....	\$0 50
Each additional quarter mile or fraction thereof, per month	25

Private Line:

Private line service not connected with the exchange:	
Each instrument or substation, per month.....	50
Each quarter mile of line or fraction thereof, per month.	50

Special Rates:

Charitable institutions, churches, etc., per month.....	1 00
---	------

Miscellaneous Monthly Charges:

Push buttons	5
Buzzer	10
Magneto hand generator.....	15
Switches (cam lever or knife).....	5
Adjustophone with desk set.....	15
Equipoise with desk set.....	15
Auxiliary receivers	5

Moves:

Moving telephone from one building to another.....	2 00
Moving telephone to a different location in the same building or to a building where no outside work is required.	1 00

Petitioner alleges that its income under the present rates is not sufficient to provide a reasonable return upon the capital invested and asks for authority to place in effect the following increased rates:

Business Subscribers:

One-party, wall telephone, per month.....	\$2 00
One-party, desk telephone, per month.....	2 25

Residence Subscribers:

One-party, wall telephone, per month.....	1 50
One-party, desk telephone, per month.....	1 75

Switched Companies:

Per subscriber, per year.....	6 00
-------------------------------	------

Extensions, Business or Residence:

General, per month.....	15
-------------------------	----

Special Rates:

Charitable institutions, churches, etc., per month.....	1 50
Other rates now in effect to remain unchanged	

C. L. 87]

Hearing was held October 9, 1918, at Madison. Appearances were *J. A. Pratt*, *P. J. Weirich* and *S. E. Burke*, on behalf of the United Telephone Company. There were no appearances in opposition.

The Blanchardville exchange provides magneto metallic service upon an unlimited basis to 40 business and 155 residence subscribers. With the exception of one four-party residence line, all service is on individual lines. In addition, it performs switching service for 336 rural subscribers of 13 connecting companies. These companies have a total of 21 lines connected with the Blanchardville exchange, 14 of which are of full metallic construction and 7 of which are grounded. Four toll lines, three local and one long distance, are connected with this exchange.

The Commission issued on July 31, 1918, a decision and order* in an application brought before it by the United Telephone Company to increase rates at the Monticello exchange, and on November 30, 1918, increased rates at Albany were authorized.† Much was said in our decisions of these cases, especially the Monticello case, which obviates the necessity of making detailed explanations in the matter now before us.

VALUE OF PROPERTY.

Applicant's statement of annual additions and removals of property at Blanchardville shows that the exchange was originally obtained by purchase at a cost of \$1,750. This was in 1902. Since that time total net additions of \$8,747.29 have been made to the property, making the cost new as of December 31, 1917, \$10,497.29. We believe this figure approximates the fair value of the exchange and may reasonably be used as a basis for computing depreciation and interest charges.

REVENUES AND EXPENSES.

Operating revenues and expenses, exclusive of taxes and depreciation, were reported by applicant as follows:

* See Commission Leaflet No. 81, p. 1142.

† See Commission Leaflet No. 86, p. 804.

TABLE I.

OPERATING REVENUES AND EXPENSES OF THE BLANCHARDVILLE EXCHANGE FOR THE YEARS ENDING DECEMBER 31, 1914 TO 1917, INCLUSIVE, AS PER EXHIBIT 3.

Classification	Year Ending December 31,			
	1914	1915	1916	1917
Operating Revenues:				
Local exchange earnings.....	\$2,316 50	\$2,388 92	\$2,478 86	\$2,616 55
Earnings from switched lines.....	957 25	960 40	965 80	996 55
Toll earnings.....	62 61	60 83	61 53	308 68
TOTAL OPERATING REVENUES.....	\$3,336 36	\$3,410 15	\$3,506 19	\$3,921 78
Operating Expenses:				
Central office expenses.....	\$1,319 90	\$1,251 15	\$1,546 58	\$2,526 32
Wire plant expenses.....	89 21	76 26	53 65	139 48
Substation expenses.....	255 42	253 44	241 53	168 64
Commercial expenses.....	60 40	87 23	97 72	.....
General expenses.....	641 19	530 90	493 48	594 00
Undistributed expenses.....	107 58	132 57	190 02	69 39
TOTAL OF ABOVE EXPENSES.....	\$2,473 70	\$2,331 55	\$2,622 98	\$3,497 83
Available for interest, depreciation and taxes.....	\$862 66	\$1,078 60	\$883 21	\$423 95

Errors appearing to have been made in the distribution of expenses as reported for the year 1917 resulted in an audit of these expenses. A statement showing how the expenses should have been distributed follows:

C. L. 87]

CORRECTED DISTRIBUTION OF OPERATING EXPENSES FOR 1917 OF THE
BLANCHARDVILLE EXCHANGE AS SUBMITTED BY PETITION.*Central Office Expenses:*

Operating wages	\$1,154 64	
Other labor	220 18	
Rent, light and heat.....	249 96	
Materials and miscellaneous.....	58 93	
	<hr/>	\$1,683 71

Wire Plant Expenses:

Labor	\$180 59	
Materials	5 51	
	<hr/>	186 10

Substation Expenses:

Labor	\$276 05	
Materials and miscellaneous.....	170 33	
	<hr/>	446 38

Commercial Expenses:

Labor	\$532 49	
Materials and miscellaneous.....	92 41	
	<hr/>	624 90

General Expenses:

Labor	\$287 82	
supplies and miscellaneous.....	46 65	
	<hr/>	334 47

Undistributed expenses		222 27
------------------------------	--	--------

TOTAL OF ABOVE EXPENSES.....		<hr/> \$3,497 83
------------------------------	--	------------------

The testimony states that the United Telephone Company was obliged to make a change in its methods of managing the Blanchardville exchange during 1917. Formerly the manager of this exchange was procured on a commission basis. Part of the commission consisted of 15 per cent. of all toll charges. All revenues for long distance messages and three-fifths of all revenues for local toll calls earned by the Blanchardville exchange were paid directly to the manager as a part of his compensation. The United Telephone Company did not make any entry upon its books of toll charges paid to the manager. Only the 10 per cent. of local toll charges were recorded.

In the spring of 1917 the company hired a manager on a salary basis for its Blanchardville exchange. When this

change was brought about complete entries of revenues from toll were made upon the books, thus accounting for the apparently abnormal toll earnings of 1917. Another result of the change was to apparently and actually increase operating expenses. This accounts in the main for the abnormal increase in operating expenses for 1917, increased costs of materials and labor accounting for the balance. We are accordingly in general satisfied as to the accuracy of the various operating revenues as set forth in TABLE I. and the various operating expenses as presented in the statement showing their distribution as corrected.

That \$423.95 is not an adequate amount to cover the fixed charges on an investment of \$10,497.29 is not questioned. The amount as well as the incidence of any increases in rates which it appears should be authorized will be determined after the method followed in the Monticello case.*

In order to determine how the fixed charges shall be apportioned among central office, wire plant and substation property, it is necessary to know how much of each of the foregoing classes of property applicant has at Blanchardville. We estimate the division of the property to be as follows:

Central office equipment.....	\$1,375 00
Wire plant equipment.....	4,990 00
Substation equipment	2,832 00
Prorate of property located at Monroe and other equipment.	750 00
TOTAL	\$9,947 00

Upon the above property 14 per cent. may be allowed to cover depreciation and interest. We assume \$550 to represent property of such a nature that depreciation upon it should not be allowed. Upon this amount interest at 8 per cent. should constitute the only fixed charge. Following our procedure in the Monticello case, we obtain the following summary of costs:

* See Commission Leaflet No. 81, p. 1142.

TABLE II.

SUMMARY OF COSTS, EXCLUDING TAXES, OF THE BLANCHARDVILLE EXCHANGE FOR THE YEAR 1917.

<i>Classification</i>	<i>Directly Assignable Variable Expenses</i>	<i>Apportionable Variable Expenses (General Plus Undistributed)</i>	<i>Fixed Charges for Depreciation and Interest</i>	<i>Total Costs</i>
Central office.....	\$1,683 71	\$318 74	\$214 63	\$2,217 08
Wire plant.....	186 10	35 24	779 43	1,000 77
Substation.....	446 38	84 51	442 52	973 41
Commercial.....	624 90	118 25	.....	743 15
TOTAL.....	\$2,941 09	\$556 74	\$1,436 58	\$4,934 41

APPORTIONMENT OF COSTS TO VARIOUS CLASSES OF SERVICE.

1. *Apportionment of Central Office Costs.*

In apportioning the central office costs among the various classes of service various bases are used. TABLE III. indicates the bases employed and the amounts to which each is applied.

TABLE III.

SHOWING AMOUNTS OF VARIOUS CLASSES OF CENTRAL OFFICE COSTS APPORTIONABLE ON VARIOUS BASES.

<i>Class of Cost</i>	<i>Total</i>	<i>Apportionable</i>			<i>Directly Assignable to Toll</i>
		<i>On Traffic Basis</i>	<i>On Line Basis</i>	<i>On Subscriber Basis</i>	
Variable expenses directly assigned to central office.....	\$1,683 71	\$1,226 60	\$330 18	\$94 93	\$32 00
Variable expenses apportioned to central office.....	318 74	232 20	62 51	17 97	6 06
Fixed charges to central office equipment.....	214 63	.....	214 63	.....	.....
TOTAL CENTRAL OFFICE COSTS..	\$2,217 08	\$1,458 80	\$607 32	\$112 90	\$38 06

Data establishing the various bases indicated in TABLE III. follow in TABLES IV., V. and VI. respectively:

TABLE IV.
TRAFFIC ANALYSIS OF THE UNITED TELEPHONE COMPANY'S BLANCHARDVILLE EXCHANGE BASED ON A 24-HOUR STUDY MADE
SEPTEMBER 10, 1918.

Classes Calling	Classes Called											
	Local Residence				Local Business				Switched			
	Num- ber of Calls	Weight- ing Coeff- icient	Weighted Calls		Num- ber of Calls	Weight- ing Coeff- icient	Weighted Calls		Num- ber of Calls	Weight- ing Coeff- icient	Weighted Calls	
Local residence.....	235	1.00	235		130	1.00	130		98	1.64	161	
Local business.....	101	1.00	101		56	1.00	56		76	1.64	125	
Switched.....												
Metallic and grounded lines.....	83	1.62	134		83	1.62	134		332	2.15	714	
Metallic lines.....	43	1.50	64		43	1.50	64		230	2.04	469	
Grounded lines.....	40	1.75	70		40	1.75	70		103	2.40	245	
Toll*.....												
Local and long distance.....	29	2.62	76		20	2.48	72		18	3.44	62	
Local.....	11	2.00	22		15	2.00	30		10	3.00	30	
Long distance.....	18	3.00	54		14	3.00	42		8	4.65	14	
Intra-line.....												
All classes weighted calls.....			546				392				1,062	
Intra-line and operator.....			13				4				235	
Weighted calls apportioned.....												
TOTAL ORIGINATING WEIGHTED CALLS.....			559				396				1,297	
TOTAL TERMINATING WEIGHTED CALLS.....			754				530				1,501	
TOTAL ORIGINATING AND TER- MINATING WEIGHTED CALLS.....			1,313				932				2,798	
Per cent. including toll.....			21.88				15.53				40.62	
Per cent. excluding toll.....			28.04				55.48				55.48	

* Tickets.

TABLE V.

SUBSCRIBER ANALYSIS, UNITED TELEPHONE COMPANY'S BLANCHARDVILLE EXCHANGE, BASED ON SUBSCRIBERS REPORTED SEPTEMBER 30, 1918.

<i>Class of Subscribers</i>	<i>Number of Subscribers</i>	<i>Per Cent. of Total</i>
Local business subscribers.....	40	7.53
Local residence subscribers.....	155	29.20
Switched subscribers:		
On metallic and grounded lines.....	336	63.27
On metallic lines.....	220	41.43
On grounded lines.....	116	21.84
TOTAL.....	531	100.00

TABLE VI.

LINE ANALYSIS, UNITED TELEPHONE COMPANY'S BLANCHARDVILLE EXCHANGE BASED ON LINES REPORTED SEPTEMBER 30, 1918.

<i>Class of Lines</i>	<i>Number of Lines</i>		<i>Per Cent. to Total Used for Apportionment Purposes</i>
	<i>Actually In Use</i>	<i>Used for Apportionment Purposes</i>	
Local business lines.....	40	40	17.94
Local residence lines.....	151	151	67.72
Switched lines:			
Metallic and grounded.....	21	28	12.55
Metallic.....	14	18	8.07
Grounded.....	7	10	4.48
Toll.....	4	4	1.79
TOTAL.....	216	223	100.00

In explanation of a greater number of switched lines being used for apportionment purposes (TABLE VI.) than the number reported as actually in use, it may be said that the switched lines are heavily loaded, and since to some extent switching costs are directly proportional to the number of lines used, to consider for the determination of a switching rate based on costs the actual number of lines in use rather than the number which should be used in order

C. L. 87]

to reduce the number of subscribers per line to a point where standard service might be assured, would result in the placing of a premium upon the continuance of inferior service.

The amounts of the central office costs apportioned on the various bases to the different classes of service are shown in TABLE VII.

TABLE VII.

CENTRAL OFFICE COSTS TO VARIOUS CLASSES OF SERVICE, AS APPORTIONED BY THE COMMISSION.

Class of Service	Total	Apportioned on			Directly Assigned
		Traffic Basis	Line Basis	Subscriber Basis	
Local business.....	\$344 00	\$226 55	\$108 95	\$8 50	.....
Local residence.....	763 44	319 19	411 28	32 97	.....
Switched:					
Metallic and grounded line.....	827 74	690 09	76 22	71 43	.....
Metallic lines.....	493 45	397 67	49 01	46 77	.....
Grounded lines.....	334 29	282 42	27 21	24 66	.....
Toll:					
Local and long distance	281 90	232 97	10 87	.....	\$38 06
Local.....	142 60	105 91	8 15	.....	28 54
Long distance.....	139 30	127 06	2 72	.....	9 52
TOTAL.....	\$2,217 08	\$1,458 80	\$607 32	\$112 90	\$38 06

2. Apportionment of Wire Plant Costs.

We assume that no part of the costs reported by applicant are assignable to local lines and applicant has no rural lines at Blanchardville. It remains then to apportion the wire plant costs among local business, local residence and switched subscribers. The switched companies provide wire up to the office pole, using only a portion of the United Telephone Company's pole and wire support equipment. Altogether the wires of the switched companies make 661 contacts with petitioner's pole and wire support system for which no direct rental is paid. If we assume 5 cents per contact to be a fair annual rental, \$33.05 should be charged

to switched companies as their share of wire plant costs. On the basis of actual contacts, \$5.85 of this charge belongs to the switched grounded lines and \$27.20 to switched metallic lines. Six of the switched metallic lines, according to exhibits, use none of petitioner's pole and wire support equipment. The amount of wire plant costs which should be charged to the switched companies as a whole may also be approximately determined from the average, per conductor, pole and wire support costs. On this basis we obtain charges ranging from \$28.29 to \$34.04, depending upon our estimate of the ratio which the pole and wire support equipment cost bears to the total wire plant cost. For the purpose of this case we shall charge the switched companies with \$33.05. This leaves \$967.72 to be divided among the local business and residence lines. It will be sufficiently accurate for our purposes to divide these costs equally on a per line basis. The total wire plant costs to the various classes of service on the basis explained are indicated in TABLE VIII.

TABLE VIII.

WIRE PLANT COSTS TO VARIOUS CLASSES OF SERVICE AS APPORTIONED BY THE COMMISSION.

<i>Class of Service</i>	<i>Number of Lines</i>	<i>Cost per Line</i>	<i>Total Cost to Service</i>
Local business	40	\$5,066 (plus)	\$202 63
Local residence	151	5,066 (plus)	765 09
Switched:			
Metallic and grounded.	21	1.57 (plus)	33 05
Metallic	14	1.94 (plus)	27 20
Grounded	7	.84 (minus)	5 85
Toll .....	.....	.....	.....
TOTAL	212	.....	\$1,000 77

3. Apportionment of Substation Costs.

It is assumed that the average cost represents fairly closely the actual costs to local business and local residence subscribers. With a total substation cost of \$973.41 (See TABLE II.) and 195 substations, excluding switched (See

C. L. 87]

TABLE V.) the average substation cost is \$4.99 (plus). The total substation costs to the various classes of service are set forth in TABLE IX.

TABLE IX.

SUBSTATION COSTS TO VARIOUS CLASSES OF SERVICE AS APPORTIONED BY THE COMMISSION.

<i>Class of Service</i>	<i>Number of Substations</i>	<i>Cost per Station</i>	<i>Total Cost to Service</i>
Local business	40	\$4 99 (plus)	\$199 66
Local residence	155	4 99 (plus)	773 75
Switched .....	.....	.....	.....
Toll .....	.....	.....	.....
TOTAL	195 .....	.....	\$973 41

4. Apportionment of Commercial Expenses.

Of the commercial expenses, \$743.15 (See TABLE II.), \$24.00 is charged to the switched companies. This is the amount apportioned by us to the switched companies in the Monticello decision* in which 14 switching companies were involved, while here there are but 13 such companies.. The greater part of the commercial expenses, \$719.15, is divided on a subscriber basis among the local business and local residence subscribers. TABLE X. shows the amounts charged to the various classes of service.

TABLE X.

COMMERCIAL EXPENSES TO VARIOUS CLASSES OF SERVICE AS APPORTIONED BY THE COMMISSION.

<i>Class of Service</i>	<i>Total Cost of Service</i>
Local business	\$145 63
Local residence	573 52
Switched:	
Metallic and grounded	24 00
Metallic	14 00
Grounded	10 00
Toll .....	.....
TOTAL	\$743 15

* See Commission Leaflet No. 81, p. 1142.

The total costs to the various classes of service as apportioned are summarized in TABLE XI.

TABLE XI.
SUMMARY OF COSTS TO VARIOUS CLASSES OF SERVICE AS APPORTIONED BY THE COMMISSION.

<i>Class of Service</i>	<i>Central Office Costs</i>	<i>Wire Plant Costs</i>	<i>Sub- station Costs</i>	<i>Com- mercial Expenses</i>	<i>Total Costs Excepting Taxes</i>
Local business	\$344 00	\$202 63	\$199 66	145 63	\$891 92
Local residence	763 44	765 09	773 75	573 52	2,875 80
Switched:					
Metallic and grounded	827 74	33 05	.....	24 00	884 79
Metallic	493 45	27 20	.....	14 00	534 65
Grounded	334 29	5 85	.....	10 00	350 14
Toll					
Local and long distance	281 90	.....	.....	.....	281 90
Local	142 60	.....	.....	.....	142 60
Long distance	139 30	.....	.....	.....	139 30
TOTAL	\$2,217 08	\$1,000 77	\$973 41	\$743 15	\$4,934 41

Prorating the total costs to each class of service among the number of subscribers in each class and adding an allowance for taxes gives the costs per subscriber indicated in TABLE XII.

TABLE XII.
TOTAL COSTS PER SUBSCRIBER OF VARIOUS CLASSES OF SERVICE.

<i>Class of Service</i>	<i>Total Costs Excepting Taxes</i>	<i>Number of Sub- scribers</i>	<i>Cost per Sub- scriber</i>	<i>Esti- mated Taxes</i>	<i>Total Annual Costs</i>
Local business	\$891 92	40	\$22 30	\$0 56	\$22 86
Local residence	2,875 80	155	18 55	46	19 01
Switched:					
Metallic and grounded	884 79	336	2 63	07	2 70
Metallic	534 65	220	2 42	06	2 48
Grounded	350 14	116	3 02	08	3 10
Toll					
Local and long distance	281 90	.....	.....	.....	.....
Local	142 60	.....	.....	.....	.....
Long distance	139 30	.....	.....	.....	.....
TOTAL	\$4,934 41	531	.....	.....	.....

C. L. 87]

The per subscriber costs shown in TABLE XII. fix fairly close the ratios which should exist between the rates for the various classes of service. Rates established should not deviate widely from these ratios and should produce sufficient revenues to cover the total costs of \$4,934.41 plus about \$125 for taxes, or \$5,059.41. The local business and local residence rates which have already been authorized for the Monticello* and the Albany† exchanges in conjunction with the present switching rates at Blanchardville would constitute a schedule complying with these conditions. TABLE XIII. shows these rates and the revenues which may reasonably be expected from them.

TABLE XIII.

RATES SUGGESTED BY THE COMMISSION AND REVENUES WHICH MAY BE EXPECTED FROM THEM.

<i>Class of Service</i>	<i>Number of Subscribers</i>	<i>Rate per Year</i>	<i>Revenues per Year</i>
Business, one-party wall or desk set..	40	\$25 80	\$1,032 00
Residence, one-party desk set.....		19 80	.....
Residence, one-party wall set.....	155	18 00	2,790 00
Connecting companies switching service	336	3 00	1,008 00
TOTAL	531	.....	\$4,830 00

To the \$4,830 shown in TABLE XIII. should be added the toll earnings, earnings from residence desk telephones, extensions and miscellaneous services and the non-operating revenues. The toll earnings including only 10 per cent. of the local toll commissions have averaged about \$60.00 per year. The total toll earnings resulting from 25 per cent. commission on local toll calls and 15 per cent. on long distance calls over a ten-month period, plus 10 per cent. commission on local toll calls for two months, all in 1917, amounted to \$308.68 according to petitioner's exhibit (See TABLE II.). From this the total toll earnings may be esti-

* See Commission Leaflet No. 81, p. 1142.

† See Commission Leaflet No. 86, p. 804.

mated at \$360 per year. We have no record of the number of desk instruments in use by residence subscribers, neither do we have the data whereby the earnings from extensions and miscellaneous charges may be determined. Non-operating revenues for the seven and one-half years concluding with the date December 31, 1915, averaged \$88.00 per year at Blanchardville. We think this amount may safely be used as the amount of revenues still accruing from this source. The total revenues actually accounted for are therefore \$5,278. The miscellaneous earnings will probably be sufficient to make the total actual revenues about \$5,378.

The total costs of rendering service at Blanchardville for the year 1917 have been figured at \$5,059.41. The excess of the estimated total revenues above these costs is \$318.59. This will provide for petitioner's estimate of increased operating labor costs, especially when recognition is given to the fact that there was some duplication in the 1917 central office costs. The duplication referred to resulted from an overlapping of costs at the time when the change in management was made necessary.

The present switching rate is \$3.00 per subscriber and this we do not propose to change. When switched lines are heavily loaded as these are, it is to be expected that lower costs per subscriber will result. Our explanation in the Monticello case discusses this particular point in considerable detail. It has no doubt been noted that in our analysis of this case we have kept the costs incident to the switched metallic lines separate from the switched grounded lines. This was partly to take into consideration a point which applicant made at the hearing, viz.: That it took more time for operator to switch for a call on a grounded line than for one on a metallic line owing to cross-talk, etc., and partly to determine for our own information whether the difference in costs was sufficient to warrant our making different switching rates for grounded lines than for metallic lines. Another point which applicant called to our attention which relates to the switching service is that it performs much real service for the switched companies of an

C. L. 87]

advisory and managerial nature, locates troubles on lines, etc., all of which should be considered in the determination of the switching rate. In TABLE XII. it will be noted that the average costs per switched subscriber are \$2.70. With a \$3.00 rate in effect there will be available 30 cents from each of 336 subscribers, or \$100.80 to cover such services as have been described.

The matters of special desk rates, extension and miscellaneous charges, will be treated exactly as in the Monticello case,* no evidence nor other data having been submitted which might lead us to dispose of them differently.

It is, therefore, ordered, That the applicant, the United Telephone Company of Monroe, Wisconsin, be, and the same hereby is, authorized to substitute for its present rates and charges at its Blanchardville exchange the following amended schedule:

RATES (NET).	
	<i>Per Month</i>
Business, one-party wall or desk set.....	\$2 15
Residence, one-party desk set.....	1 65
Residence, one-party wall set.....	1 50
	<i>Per Year</i>
Connecting companies' switching service, per subscriber....	\$3 00
<i>Extension:</i>	<i>Per Month</i>
Business, complete set.....	\$0 60
Residence, complete set	50
Talking set only	25
Bell (6" gong)	15
Bell (3" gong)	10
Generator	15
<i>Joint User:</i>	
Business privilege of service.....	1 00
Residence privilege of service.....	50
<i>Excess Radius Private Line:</i>	
First quarter mile outside city limits.....	50
Each additional quarter mile or fraction thereof.....	25

* See Commission Leaflet No. 81, p. 1142.

Per Month

Private Line Service Not Connected with the Exchange:

Each instrument or substation.....	\$0 50
Each quarter mile of line or fraction thereof.....	50

Charitable Institutions:

Churches, etc., same as residence rate.

Miscellaneous:

Push buttons	5
Buzzer	10
Magneto or hand generator.....	15
Switches (cam lever or knife).....	5
Adjustophone	15
Equipoise	25
Auxiliary receivers	5

Moves Within Village Limits:

From one building to another building.....	2 00
From one location to another within the same building or to another building when no outside work is required...	1 00

Moves Outside Village Limits:

Actual cost to the company.

It is further ordered, That all rules and other regulations now in effect, including such as relate to the time and manner of payment, shall be continued in full force and effect as heretofore except in such particulars as they may conflict with the provisions of this order.

Dated at Madison, Wisconsin, this twenty-fourth day of January, 1919.

In re APPLICATION OF MARKESAN TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1024.

Decided January 25, 1919.

**Increase in Rates Authorized—Additional Charge for Desk Sets
Authorized Except in Connection With Business Telephones—
Allowance of 8 Per Cent. for Return on Investment
Made.**

Applicant sought authority to increase its rates at Markesan. The Commission's engineers, using net prices based on a ten-year average,

C. L. 87]

found the reproduction cost new, including 12 per cent. for overhead charges, was \$17,616 and the reproduction cost new less depreciation, \$11,901. Applicant's book value was \$18,572.27 based on an estimate of property as of January 1, 1915, plus additions to date. This estimate contained the following items: "Intangible—Contracts With Connecting Lines, \$1,500; Tangible—Central Office Equipment, \$1,000; Wire Plant Construction, etc., \$6,790; Substation Equipment, \$4,400; Miscellaneous Equipment, \$850," a total of \$14,540.

Held: That there was no reasonable basis for considering the contracts with connecting lines as having any value upon which a return should be allowed; therefore, the item of \$1,500 should be eliminated. Furthermore, applicant's book value contained a substantial excess value for central office or exchange equipment. In fact, the book value was unreliable;

That the only reliable information concerning the value was that contained in the appraisal, and there was no adequate reason for modifying this in any material regard;

That as the applicant, with the corrections indicated by the Commission in its operating expenses, would have available for interest and dividend purposes a total of \$1,266.12 which would yield a return of 8 per cent. on a value of \$15,751—which is somewhat less than the reproduction value of the property—some increases in rates would be justifiable on the basis of 1917 operations. Further justification for some increases would be found in the increased costs, particularly of labor. Therefore, in order to insure a reasonable rate of return on its present property and to offset increased costs, so far as the Commission was able to judge conditions, applicant would be entitled to approximately \$500 more revenue than might be expected from its present rates;

That as the rates which applicant proposed would produce \$1,116.20 increased revenues, they should not be allowed, but the schedule fixed by the Commission, permitting an increase sufficient to yield the amount of additional revenue needed by the company, should be approved;

That no additional charge should be made to business subscribers for desk sets, but all other subscribers should pay a rate of 15 cents above the rate for wall sets;

That for service over the full metallic circuit between the villages of Fairwater and Markesan which was used exclusively by the Fairwater Canning Company, applicant should be allowed to charge \$50.00 per year in addition to the regular rentals, this \$50.00 to cover all such costs as might arise because the circuit extended beyond the village limits of Markesan. As the fixed charges alone on this line amounted to \$56.00 per year, the line charge was very reasonable, and in addition to this line charge the Fairwater Canning Company should pay a two-party business rate, although theoretically, there being four telephones on the line, it should take a four-party rate;

That for the private grounded circuit line extending a mile and a half beyond the village limits and used solely by the Farmers Hemp Company, on which fixed charges would be about \$7.00 per year and maintenance about \$2.00 per year, a charge of \$30.00 per year, including the \$21.00 per year regular rental, should be made.

OPINION AND DECISION.

The Markesan Telephone Company, a public utility operating a telephone exchange which supplies telephone service in and about the village of Markesan, filed with the Commission June 26, 1918, an application wherein, among other things, it states that its present lawful rates are:

<i>Rates Payable Yearly in Advance:</i>	<i>Per Year</i>
Rural residence	\$12 00
Rural business	18 00
Rural residence where farmers own poles.....	9 00
Switching rates, per telephone.....	6 00

<i>Rates Payable Monthly in Advance:</i>	<i>Per Month</i>
Local residence	\$1 00
Local business	1 50

Miscellaneous:

At the present time subscribers own and maintain all extension bells and sets which are in service. One private full metallic line extends about 8 miles to Fairwater. Subscribers served by this line contributed \$250 or more toward its construction and are paying the regular rates for local service.

One private grounded line extending $1\frac{1}{2}$ miles beyond the village limits has just been installed, the subscriber served having not yet been provided with a fixed rate.

Applicant alleges that the present rates do not yield sufficient revenue to cover the operating costs and leave a net operating income adequate to pay reasonable dividends on its investment. It therefore requests authority to place in effect certain increased rates appearing below, and asks the Commission to establish equitable rates for the service on the metallic circuit to Fairwater and also on the private grounded circuit recently constructed. The increased rates which applicant seeks to have authorized are:

C. L. 87]

<i>Rural Rates:</i>	<i>Per Quarter</i>
Rural residence	\$4 50
Rural business	5 25

A discount of 75 cents is to be applicable on the above rates providing rental is paid at the office of the company during the first month of the quarter; 50 cents if paid during the second month of the quarter; 25 cents if paid during the third month of the quarter; thereafter the gross rate is to become due and payable.

	<i>Per Year</i>
Switching rates (payable in advance)	\$6 00

<i>Business:</i>	<i>Village Rates:</i>	<i>Per Month</i>
One-party		\$2 25
Two-party		2 00

<i>Residence:</i>	
One-party	1 75
Two-party	1 50
Four-party	1 25

A discount of 25 cents per month is to be applicable on the above village rates if rentals are paid on or before the fifteenth of the month for which rental is due.

	<i>Extensions:</i>	<i>Per Month</i>
Extension sets, business		\$0 60
Extension sets, residence		50
Extension bells		15

Hearing in this matter was held August 21, 1918, at Madison, Wisconsin. Appearances were *J. A. Pratt* and *H. A. Price* on behalf of the Markesan Telephone Company, and *W. H. Farnsworth* of Grady and Farnsworth on behalf of the Fairwater Canning Company. The latter company and its officials are the sole users of the metallic circuit terminating at Fairwater and for which petitioner requests that an equitable rate be determined.

CHARACTER OF SERVICE.

Practically all service rendered by applicant is magneto grounded. It has a total of 103 lines in use, of which number but 6 are metallic. Of the metallic lines three are used by single party business subscribers in Markesan, one

is of the metallic circuit to Fairwater, and two are toll lines. Altogether the Markesan exchange serves 497 subscribers, classified as follows:

Business Subscribers:

One-party	17
Two-party	14
Three-party	3

Business-Residence Subscribers:

Two-party	20
Three-party	18

Residence Subscribers:

One-party	4
Two-party	8
Three-party	48
Four-party	36

Rural Subscribers:

Business (1 line)	11
Residence (18 lines)	229

Switched Subscribers:

Five companies (6 lines)	89
--------------------------------	----

TOTAL	<u>497</u>
-------------	------------

Toll connections are made with two lines of the Wisconsin Telephone Company and one grounded line jointly owned with the Grand River Telephone Company.

Service is unlimited from five o'clock in the morning to ten o'clock at night. At other hours only emergency service is rendered.

Three operators, an office clerk and the superintendent, who is also owner, are the only regular employees. The superintendent, in addition to performing whatever supervisory work may be necessary, also assists with the line work. Maintenance men are employed only occasionally.

VALUE OF PROPERTY.

The Commission's engineers made an appraisal of applicant's property as of June 30, 1918. A summary of this valuation follows:

C. L. 87]

TABLE I.

SUMMARY OF APPRAISAL OF THE MARKESAN TELEPHONE COMPANY, AS OF
JUNE 30, 1918.

<i>Classification</i>	<i>Reproduction Cost</i>	<i>Reproduction Cost Less Depreciation</i>
A. Land .....	.....	.....
B. Distribution system	\$13,987	\$9,178
C. Buildings and miscellaneous structures..	.....	.....
D. Exchange equipment	557	446
E. General equipment	1,046	863
TOTAL	\$15,590	\$10,487
Add 12 per cent. (see note below)	1,871	1,259
TOTAL	\$17,461	11,746
F. Paving .....	.....	.....
TOTAL	\$17,461	11,746
H. Materials and supplies.....	155	155
TOTAL	\$17,616	\$11,901

NOTE: Addition of 12 per cent. to cover engineering, superintendence, interest during construction, contingencies, etc.

Applicant's book value as of June 30, 1918, as shown by an exhibit introduced at the hearing, was \$18,572.27. We find upon an inspection of applicant's annual reports that this value is based on an estimate of the property as of January 1, 1915, plus the net additions to June 30, 1918. The estimate includes the following items:

Intangible, contracts with connecting lines.....	\$1,500 00
Tangible:	
Central office equipment	1,000 00
Wire plant construction and equipment including pole and cable	6,790 00
Substation equipment	4,400 00
Miscellaneous equipment	850 00
	\$14,540 00

There is in our opinion no reasonable basis for considering the contracts with connecting lines as having any value upon which a return should be allowed. The item of \$1,500 should therefore be eliminated. The estimate placed the value of the central office equipment at \$1,000. The annual reports indicate additions of \$12.82, \$6.45, and \$195.68, respectively, as having been made to this equipment in the three subsequent calendar years, thus making the book value of the central office equipment as of December 31, 1917, \$1,214.95. It will be noted that the total cost new of exchange equipment as appraised by our engineers was \$557. Applicant did not question this item of the appraisal. It appears therefore that applicant's book value contains a substantial excess value for central office or exchange equipment. Other items of the book value have not been analyzed, but the errors which have been pointed out are sufficient to indicate that the book value is unreliable.

Applicant objected to certain unit prices employed by the Commission's engineers in their appraisal. Compared with present prices, the engineers' unit prices, which are based on the average prices over a ten-year period, are admittedly low.

It may be well to call attention to a few matters relative to the appraisal. The Commission's unit price for a 5 x 20 cedar pole as employed in the appraisal of applicant's plant was \$1.63. Assuming that 78 cents represents cost of pole at Markesan, as applicant contended, there remains 85 cents for labor represented in the operations of unloading, shaving, hauling, roofing and framing, digging and setting. In other words, 52 per cent. of the total costs represents labor. The ratio of labor to the total cost as found by the Commission in a previous case varies for different sizes of 20 foot poles from 48 per cent. to 58 per cent. and for various sizes of 25 foot poles from 36 per cent. to 66 per cent., etc. Similar ratios for other appraised items are:

C. L. 87]

Cross-arms:	<i>Per Cent.</i>
4 pin	42
6 and 8 pin.....	32
10 pin	26
Standard Guy Rods:	
5/8"	82
1"	72
Aerial Cable — Gage 22:	
5-pair	33
15-pair	30
25-pair	25
50-pair	21
100-pair	15
Aerial Wire, Rural Construction:	
Iron No. 12 gage.....	42

Applicant in its last three annual reports records the additions and labor for construction charges to have been such as are set forth in TABLE II.

TABLE II.
LABOR AND TOTAL CHARGES TO CONSTRUCTION COMPARED FOR YEARS 1915
TO 1917 INCLUSIVE.

<i>Classification</i>	<i>Year Ended December 31</i>			<i>All Years</i>
	<i>1915</i>	<i>1916</i>	<i>1917</i>	
Central office equipment.....	\$12 82	\$6 45	\$195 68	\$214 95
Wire plant construction and equip- ment.....	281 30	949 94	1,054 32	2,285 56
Subscribers' station equipment.....	233 29	213 18	483 89	930 36
General office equipment.....	83 31	47 08	.....	130 39
Tools, testing and miscellaneous equipment.....	.....	300 00	.....	300 00
TOTAL NET ADDITIONS.....	\$610 72	\$1,516 64	\$1,733 88	\$3,861 25
Labor charged to construction.....	\$75 70	\$521 61	\$313 82	\$911 13
Per cent. of labor charge to total charge for construction.....	12.4	34.4	18.5	23.6
Per cent. of labor charge to total charge for construction of wire plant	26.9	55.0	33.8	40.0

Comparison of the ratios of labor to total charges as actually made by the company with the ratios between these charges as employed by the engineers, considering the nature of work performed, indicate at least that the engineers' allowances for labor used in construction have been ample, thus refuting in general the objections offered by the company. It seems, however, that the charges to construction for labor, as made by the company, probably understate the actual labor cost. From the data appearing in TABLE II. it is safe to assume that the cost of material used in constructing additions to the distribution system was no less than \$750 to \$800. Labor connected with the installation of this amount of material we estimate would cost no less than \$500. When consideration is given to the fact that some labor was necessarily employed to construct additions to central office and subscribers' stations equipment, we believe that \$550 approximates more closely than \$313.82 the actual cost of labor used in building additions to the plant. This matter will be referred to later when the operating expenses are discussed.

The only reliable information concerning value appears to be that contained in the appraisal. We see no adequate reason for modifying it in any material regard.

OPERATING REVENUES AND EXPENSES.

TABLE III. sets forth applicant's operating revenues and expenses as reported to the Commission in the last three annual reports:

TABLE III.

OPERATING REVENUES AND EXPENSES, DECEMBER 31, 1914, TO DECEMBER 31, 1917 (AS REPORTED TO COMMISSION).

	1915	1916	1917
<i>Operating Revenues:</i>			
Exchange telephone earnings....	\$4,834 85	\$4,844 40	\$5,816 72
Earnings from connecting line..	393 66	510 00	615 11
Miscellaneous exchange earnings.		472 77	233 67
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES..	\$5,228 51	\$5,827 17	\$6,665 50
	<hr/>	<hr/>	<hr/>
<i>Operating Expenses:</i>			
Central office expense.....	\$913 56	\$1,684 44	\$1,403 68
Wire plant expense.....	244 15	577 33	160 58
Substation expense	496 95	496 03	583 77
Commercial expense	51 96	40 23	16 70
General expense	1,352 31	888 88	1,696 38
Undistributed expense	199 29	359 00	632 59
	<hr/>	<hr/>	<hr/>
TOTAL OF ABOVE ITEMS.....	\$3,258 22	\$4,045 41	\$4,493 70
Depreciation		1,166 06	1,516 65
Taxes	103 78	130 96	147 86
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES...	\$3,362 00	\$5,342 43	\$6,158 21
	<hr/>	<hr/>	<hr/>
Net operating revenues.....	\$1,866 51	\$484 74	\$507 29
Non-operating revenues		446 72	.....
	<hr/>	<hr/>	<hr/>
GROSS INCOME	\$1,866 51	\$931 46	\$507 29
	<hr/>	<hr/>	<hr/>

We shall limit the discussion of operating expenses to those of the calendar year of 1917. The expenses for this year do not appear to have been properly distributed among the various items of expense. Doubtless much of the general expense in reality was incurred for and therefore should have been charged to the central office, wire plant and substation work. But for our present purposes this is immaterial. We do think, however, that about \$236.18 included very likely in the general expenses should be removed as a charge to the operating account and debited

to the capital account. To fail in transferring this charge and to allow what has apparently been done in this instance to become a general practice would if persisted in result in the utility's building itself up largely out of earnings. As a charge for depreciation during the year 1917, \$1,000 would have been adequate. With the corrections indicated applicant had available for interest and dividend purposes for the year 1917 a total of \$1,260.12. This would yield an 8 per cent. return on a value of \$15,751 which is somewhat less than the reproduction value of the property for that year. It appears consequently that some increases in rates are justifiable on the basis of the 1917 operations. Further justification for some increases in rates is found in increased costs, particularly of operating labor. During 1917, \$888.25 was paid in wages to central office operators. According to the testimony two operators are now receiving \$30.00 per month and one is receiving \$45.00. With these wages the cost of operating labor for the current year will be \$1,260, or \$371.75 more than the 1917 costs. If other unusual increased costs have taken place we have no record of them. Usual increases such as naturally result in taxes and depreciation due to increased earnings and growth of plant will be fully provided for in our opinion by the normal increases in revenues. We find that in order to insure a reasonable rate of return on its present property and to offset increased costs so far as we are able to judge conditions, applicant is entitled to approximately \$500 more revenues than may reasonably be expected from its present rates.

The rates which applicant proposes would, according to its own estimate, produce \$1,116.20 of increased revenues. They therefore can not be allowed. The following rates, taking into consideration the kind of service applicant is rendering and its need for additional revenue, are in our opinion reasonable:

C. L. 87]

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
<i>Business:</i>		
One-party	\$2 00	\$1 75
Two-party	1 75	1 50
<i>Residence:</i>		
One-party	1 75	1 50
Two-party	1 50	1 25
Four-party	1 25	1 00
	<i>Per Quarter</i>	
<i>Rural:</i>	<i>Gross</i>	<i>Net</i>
Residence	\$4 15	\$3 40
Business	5 25	4 50

The difference between the gross and the net rates represents the discount which shall be given to subscribers for prompt payment of rentals. In this regard the terms proposed by applicant are satisfactory.

At the hearing applicant requested a special rate for desk sets, of which at present it has 33 in use — 24 by business subscribers and 9 by residence subscribers. This Commission's attitude toward allowing special rates for desk sets has been repeatedly set forth in decisions of the past two years. No special data are offered by applicant which lead us to deviate from our position in the past on this matter. We will accordingly deny any special rate for desk sets to business subscribers. For other subscribers a rate of 15 cents above the rate for wall sets will be authorized.

Much of the testimony offered in this case relates to the determination of an equitable rate for service over a full metallic circuit between the villages of Fairwater and Markesan, a distance of 8.7 miles. As nearly as we can gather from the testimony the situation at present is this: the Markesan Telephone Company has a pole lead between Markesan and Fairwater. This lead leaves the central office with ten or twelve grounded circuits and one metallic circuit. The metallic circuit and two of the grounded circuits extend all the way to Fairwater. Of the remaining grounded circuits eight extend to a point 2 miles from the

central office, and five of these to a point $4\frac{1}{2}$ miles from the central office, the others dropping off within a mile and a half.

Of the circuits entering Fairwater, the metallic circuit is given over to the exclusive use of the Fairwater Canning Company, which has four telephones — two in Fairwater and two in Markesan — connected therewith. Service between these substations is available without calling central. Applicant is responsible for keeping the circuit in good operating condition, but the testimony shows that officials of the Fairwater Canning Company have occasion to drive almost daily along the road by the side of which the lead in question is constructed, and that they remove limbs of trees and perform such maintenance work as is not technical.

The testimony states that this circuit was originally constructed as a grounded circuit in 1910, at which time the Fairwater Canning Company advanced \$150 in cash to help defray construction costs. The circuit was metallicized two years later, and upon this occasion the Fairwater Canning Company advanced \$100 cash and some labor, the value of which we may for the purposes of this case assume as being \$50.00. In addition the Fairwater Canning Company has been paying the regular rentals for the instruments connected. After an examination of the contracts entered into between the Fairwater Canning Company and the Markesan Telephone Company and the testimony relating thereto, we think there is no doubt but what the money advanced to help defray construction costs should be considered as a portion of rentals paid in advance, and that upon these the Fairwater Canning Company may reasonably be entitled to interest.

Facts necessary to establish quite accurately the reproduction cost of the circuit in question have been submitted. These indicate that \$400 is a conservative estimate of the reproduction cost of that part of the circuit which is located outside the village limits of Markesan. Of this amount \$250

C. L. 87]

may be allocated to the costs of the original grounded line and \$150 to the stringing of the second wire. On this basis, making no allowance for maintenance charges whatever, we have worked out the following statement which we believe shows that such advanced rentals as have been paid may now be considered only as cancelled factors in the determination of rates for service on the particular circuit in question. The regular rentals will not, it may be assumed, compensate more than the costs incident to providing service were all substations on a line which extended to the village limits of Markesan.

STATEMENT SHOWING CREDITS AND DEBITS TO THE FAIRWATER CANNING COMPANY OF RENTALS PAID IN ADVANCE BY IT TO THE MARKESAN TELEPHONE COMPANY, AND OF CHARGES FOR SERVICE RECEIVED BY IT FROM THE MARKESAN TELEPHONE COMPANY.

Paid in cash, 1910.....	150 00	
Interest at 6 per cent.....	9 00	
TOTAL CREDIT, 1911.....		\$159 00
Charged 14 per cent. of \$250.....		35 00
Net credit, 1911.....	\$124 00	
Interest at 6 per cent.....	7 44	
Paid in cash and labor.....	150 00	
TOTAL CREDIT, 1912.....		\$281 44
Charged 14 per cent. of \$250.....		35 00
Net credit, 1912.....	\$246 44	
Interest at 6 per cent.....	14 79	
TOTAL CREDIT, 1913.....		\$261 23
Charged 14 per cent. of \$400.....		56 00
Net credit, 1913.....	\$205 23	
Interest at 6 per cent.....	12 31	
TOTAL CREDIT, 1914.....		\$217 54
Charged 14 per cent. of \$400.....		56 00

Net credit, 1914.....	\$161 54	
Interest at 6 per cent.....	9 69	
TOTAL CREDIT, 1915.....		\$171 23
Charged 14 per cent. of \$400.....		56 00
Net credit, 1915.....	\$115 23	
Interest at 6 per cent.....	6 91	
TOTAL CREDIT, 1916.....		\$122 14
Charged 14 per cent. of \$400.....		56 00
Net credit, 1916.....	\$66 14	
Interest at 6 per cent.....	3 97	
TOTAL CREDIT, 1917		\$70 11
Charged 14 per cent. of \$400.....		56 00
Net credit, 1917.....	\$14 11	
Interest at 6 per cent.....	85	
TOTAL CREDIT, 1918.....		\$14 96
Charged 14 per cent. of \$400.....		56 00
Net credit, 1918.....	\$41 04*	

* Deficit.

It is evident from the above statement that the advanced rentals are now exhausted and that applicant will be performing service at a loss unless some new means of paying the fixed charges and maintenance costs on the leased circuit are now provided. At the hearing applicant requested that it be allowed to charge the Fairwater Canning Company \$50.00 per year in addition to the regular rentals, the \$50.00 to cover all such costs as arise because the circuit extends beyond the village limits of Markesan. The request is modest compared to the costs involved and should in our opinion be authorized. The costs involved have not been definitely determined, excepting that we are satisfied that fixed charges alone amount to at least \$56.00 per year. Our analysis has been made on the assumption that the regular

C. L. 87]

business and residence rates provided in this decision for subscribers residing in Markesan will apply to the four instruments connected. All service should theoretically take a four-party rate. In view of the fact that no four-party business rate is provided, we think, since the line charge of \$50.00 is low, that for business substations it will be fair to arbitrarily charge the two-party rate.

The private grounded line for which we are asked to establish an equitable rate extends a mile and a half beyond the village limits of Markesan and is used solely by the Farmers Hemp Company. The data from which the exact construction costs might be determined are not at hand, but since the only additional expense involved was the stringing of one wire we estimate \$50.00 will approximately cover the entire reproduction cost of this circuit including a prorate of the poles, wire supports, etc. Fixed charges on \$50.00 will amount to \$7.00 per year. Maintenance costs would be about \$2.00 per year. These charges, together with the \$21.00 regular rental, will make a total annual charge of \$30.00. This rate will, we believe, be in proportion to the other rates and entirely reasonable.

The present switching rate not being an issue has not been reviewed by us.

It is, therefore, ordered, That the applicant, the Markesan Telephone Company, be, and the same hereby is, authorized to substitute for its present rates and charges the following rates and charges:

REGULAR RATES.

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
<i>Local Business, Wall or Desk Sets:</i>		
One-party	\$2 00	\$1 75
Two-party	1 75	1 50
<i>Local Residence, Wall Sets:</i>		
One-party	1 75	1 50
Two-party	1 50	1 25
Four-party	1 25	1 00
Desk sets, all rates 15 cents above the wall set rates.		

	Per Quarter	
	Gross	Net
<i>Rural:</i>		
Residence	\$1 45	\$3 40
Business	5 25	4 50
Switching, per telephone per year.....		6 00
<i>Extensions:</i>		Net
Business, complete set.....		\$0 60
Residence, complete set.....		50
Bells		15

DISCOUNTS.

Local Business and Residence:

The difference between the gross and the net rates represent discounts which shall be given to subscribers who pay their rentals on or before the fifteenth of the month for which rental is due.

Rural:

A discount of 75 cents shall be given to all rural subscribers who pay their quarterly rental during the first month of the quarter for which rental is due; the discount shall be 50 cents if paid during the second month and 25 cents if paid during the third month. Thereafter the gross rate becomes due and payable.

Fairwater Canning Company, Metallic Private Line:

Line charge, payable annually in advance, net \$50.00.

For each business telephone, the regular local business two-party rate.

For each residence telephone, the regular local residence four-party rate.

Farmers Hemp Company, Grounded Private Line:

Monthly charge, gross \$2.75, net \$2.50.

Discount, same as local business.

RULES.

Rural subscribers as used in this case shall be defined as all subscribers connected to lines having more than four parties connected.

The single party rates shall be applicable in all cases where two or more party service is furnished where the character of the distribution system required is practically the same as for single party service, *i. e.*, where two or more lines are bridged at or near the central office.

It is further ordered, That all rates, charges, rules and regulations not specifically superseded by or in conflict with the provisions of this order shall continue in full force and effect as heretofore.

Dated at Madison, Wisconsin, this twenty-fifth day of January, 1919.

In re APPLICATION OF OAKFIELD TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1025.

Decided January 25, 1919.

**Increase in Business, Residence and Rural Rates Authorized — Allow-
ance of 15 Per Cent. Made for Reserve for Depreciation and
Return on Investment — Discount for Prompt Payment
Authorized.**

Applicant sought authority to increase its business, residence and rural rates.

The Commission found that the total investment, \$25,917.80 was somewhat less than the reproduction value; that present revenues were insufficient to pay operating expenses and allow 15 per cent. for reserve for depreciation and return on investment; that wages and salaries must necessarily be increased, and that in order to pay the increased operating expenses and allow 15 per cent. for reserve for depreciation and return on investment the petitioner's revenues should be increased by about \$1,100.

Held: That petitioner should be authorized to increase its business, residence and rural rates and to charge the rates fixed by the schedule framed by the Commission;

That applicant should render bills at the gross rates 25 cents in excess of net rates, on or before the fifth of each month, which bills should be payable at the net rates on or before the fifteenth of each month. On bills paid after the fifteenth the gross rates would be applicable.

OPINION AND DECISION.

The applicant, the Oakfield Telephone Company, owns and operates a telephone exchange at Oakfield, Wisconsin, which supplies 24-hour magneto metallic service to 27 local business, 80 local residence, and 418 rural subscribers. Long distance service and communication with the city of Fond du Lac are obtainable over two metallic lines owned by applicant which connect its switchboard with the switchboard of the Wisconsin Telephone Company at Fond du Lac. In addition applicant has five rural lines with 41 subscribers directly connected to the Fond du Lac switchboard.

The rates now in effect are as follows:

All classes of service at Oakfield, per month.....	\$1 00
Rural service on lines directly connected with Fond du Lac switchboard, per month.....	1 50
Five-minute messages over toll line between Oakfield and Fond du Lac:	
For subscribers, per message.....	5
For non-subscribers, per message.....	10

Alleging that the present exchange rates are insufficient to pay operating expenses, and to yield a reasonable rate of return, applicant proposes to substitute for them the following increased rates:

SUBSCRIBERS ON LINES DIRECTLY CONNECTED TO THE OAKFIELD SWITCHBOARD.

	Per Month	
	Gross	Net
<i>Local Business Subscribers:</i>		
One-party service	\$2.25	\$2 00
Two-party service	2 00	1 75
Four-party service	1 75	1 50
<i>Local Residence Subscribers:</i>		
One-party service	\$2 00	\$1 75
Two-party service	1 75	1 50
Four-party service	1 50	1 25
Rural subscribers	1 50	1 25

SUBSCRIBERS ON LINES DIRECTLY CONNECTED TO THE FOND DU LAC SWITCHBOARD.

	Per Month	
	Gross	Net
Rural subscribers	\$1 75	\$1 50

The net rates to be applicable only in case payments are made in advance.

Hearing in this matter was held November 14, 1918, at Madison, Wisconsin. Appearances were *W. E. Bristol*, secretary, and *F. M. Barber*, manager, on behalf of the Oakfield Telephone Company. There were no adverse appearances.

The Oakfield Telephone Company reports that its physical property consists of 123 miles of cedar poles, 584 miles of iron wire, 25,000 pair feet of cable, 566 subscribers' stations, a 210-drop capacity magneto switchboard with 120

C. L. 87]

drops installed, a corner lot valued at \$900 and some tools and miscellaneous equipment. The total investment is placed at \$25,917.80. This is, we believe, somewhat less than the reproduction value as of the present time.

We have an exhibit showing in detail the operating revenues and expenses as kept by applicant for the year 1917 and for the nine months ended September 30 of 1918. Somewhat condensed, these figures are duplicated in TABLE I.

TABLE I.

OPERATING REVENUES AND EXPENSES OF THE OAKFIELD TELEPHONE COMPANY FOR 1917, AND FROM JANUARY 1 TO SEPTEMBER 30 FOR 1918.

	<i>12 Months Ending Dec. 31, 1917</i>	<i>9 Months Ending Sept. 30, 1918</i>
<i>Operating Revenues:</i>		
Earnings from telephone rentals.....	\$6,411 30	\$5,007 29
Commissions on long distance tolls.....	216 12	159 67
Other toll earnings.....	924 61	699 01
TOTAL OPERATING REVENUES.....	\$7,552 03	\$5,865 97
<i>Operating Expenses:</i>		
Central office expenses.....	\$1,679 32	\$1,431 06
Wire plant expenses.....	536 29	225 54
Substation expenses	853 54	581 63
Commercial expenses	580 61	477 29
General expenses	99 95	69 80
Undistributed expenses	321 14	217 16
TOTAL OF ABOVE EXPENSES	\$4,070 85	\$3,002 48
Taxes	257 07	241 55
Depreciation	1,500 00	1,125 00
TOTAL OPERATING EXPENSES	\$5,827 92	\$4,369 03
NET OPERATING REVENUES.....	\$1,724 11	\$1,496 94

On the basis of the data shown in TABLE I. there were \$3,224.11 available for depreciation and interest purposes as a result of the 1917 operations, and at the rate of about \$3,395.92 from the operations for the year of 1918. Since the utility appears to have properly distributed the various charges as between its operating and capital accounts, con-

clusions as to the adequateness of the present revenues may fairly be based on the figures in TABLE I. We are of the opinion that 15 per cent. of \$25,917, or \$3,887.55, represents a fair allowance for depreciation and interest as of the present time. This it will be noticed is \$491.63 in excess of the rate at which earnings accrued for so much of 1918 as is covered by available figures.

Besides the deficit above mentioned, applicant submits a list of the wages now being paid to its operators and other employees together with what it considers to be fair wages under present conditions. Increased wages to operators as proposed will total \$14.00 per month, or an average of \$3.50 per month per operator. The present wages average \$26.50 per month per operator. The general manager now receives \$80.00 per month to which applicant proposes a \$20.00 per month increase. Other increases in the allowance to directors and for labor in the commercial department are proposed, which will total about \$200 per year. The aggregate of proposed increases in wages and salaries amounts to \$608 per year. Increases in costs of materials will be given no special consideration, since it is not probable that materials will cost more in the current year than they did in 1918. All things considered, it appears that provision should be made at this time for applicant's securing about \$1,100 more revenues than may reasonably be expected under its present rates.

The following rates appear to be reasonable in light of applicant's need for revenues and will, assuming there be no loss of subscribers, yield \$1,201.20 of increased revenues on the basis of the net rates above.

SUBSCRIBERS ON LINES DIRECTLY CONNECTED TO THE OAKFIELD
SWITCHBOARD.

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
<i>Local Business Subscribers:</i>		
One-party service	\$2 00	\$1 75
Two-party service	1 75	1 50
<i>Local Residence Subscribers:</i>		
One-party service	1 75	1 50
Two-party service	1 50	1 25
Four-party service	1 40	1 15
Rural subscribers	1 40	1 15

C. L. 87]

We deem it advisable not to authorize any four-party business rate, and to give subscribers until the fifteenth of the month to pay for the month's telephone rentals at the net rates, the gross rates to be applicable on all bills paid after the fifteenth.

One reason for the comparatively low costs is the fact that subscribers' lines are heavily loaded, one having 20 subscribers and 14 circuits having more than 12 subscribers. When such improvements as are necessary to decrease the number of subscribers per line to 12 have been made it may be that rates such as applicant has proposed would be justifiable. We see no justification however for higher rates than those suggested by us at the present time.

It is, therefore, ordered, That the applicant, the Oakfield Telephone Company, be, and the same hereby is, authorized to replace its present exchange rates with the following increased exchange rates:

SUBSCRIBERS ON LINES DIRECTLY CONNECTED TO THE OAKFIELD
SWITCHBOARD.

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
<i>Local Business Subscribers:</i>		
One-party service	\$2 00	\$1 75
Two-party service	1 75	1 50
<i>Local Residence Subscribers:</i>		
One-party service	1 75	1 50
Two-party service	1 50	1 25
Four-party service	1 40	1 15
Rural subscribers	1 40	1 15

SUBSCRIBERS ON LINES DIRECTLY CONNECTED TO THE FOND DU LAC
SWITCHBOARD.

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
Rural subscribers	\$1 75	\$1 50

Bills shall be rendered at the gross rates on or before the fifth of each month and shall be payable at the net rates on or before the fifteenth of each month. On bills paid after the fifteenth the gross rates shall be payable.

Dated at Madison, Wisconsin, this twenty-fifth day of January, 1919.

In re APPLICATION OF PLAIN TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1026.

Decided January 25, 1919.

Increase in Business, Residence and Rural Rates Authorized.

OPINION AND DECISION.

The Plain Telephone Company, located at Plain, Wisconsin, and operating in and about said village, has in effect at present the following exchange rates:

Business, one-party, per quarter, gross.....	\$5 25
Business, two or more parties, per quarter, gross.....	4 50
Residence, one-party, per quarter, gross.....	4 50
Residence, two or more parties, per quarter, gross.....	3 75
Rural, per quarter, gross.....	3 75

A discount from the above rates is made of 75 cents if bill is paid during the first month of the quarter; of 50 cents if bill is paid during the second month of the quarter, and of 25 cents if bill is paid during the third month of the quarter. Thereafter the gross rates become payable.

Alleging that these rates are inadequate to yield revenues sufficient to cover operating costs, the company petitions for authority to replace them with the following increased exchange rates:

Business, one-party, per quarter, gross.....	\$6 00
Business, two or more parties, per quarter, gross.....	5 25
Residence, one-party, per quarter, gross.....	5 25
Residence, two or more parties, per quarter, gross.....	4 50
Rural, per quarter, gross.....	4 50

Same discount provision as is now effective to continue in force.

A hearing in this matter was held November 21, 1918, at Madison, Wisconsin. *Mr. H. J. Reuschlein* appeared on behalf of petitioner. There were no other appearances.

Applicant's system is grounded and is reported to consist of 105 miles of poles, 225 miles of wire, 1,000 pair feet of cable and 245 subscribers' stations besides a 50-drop

C. L. 87]

magneto switchboard and some miscellaneous equipment. This property is valued by applicant at from \$7,500 to \$8,000, which for a reproduction cost is undoubtedly quite conservative.

Operating revenues and expenses for the year ended December 31, 1917, and for the seven months ended July 31, 1918, somewhat condensed from the form in which reported, are as follows:

TABLE I.

OPERATING REVENUES AND EXPENSES OF THE PLAIN TELEPHONE COMPANY
FOR 1917 AND FROM JANUARY 1 TO AUGUST 1 OF 1918.

	<i>12 Months Ended De- cember 31, 1917</i>	<i>7 Months Ended July 31, 1918</i>
<i>Operating Revenues:</i>		
Earnings from telephone rentals	\$2,838 00	\$1,667 00
Commission on long distance tolls.....	43 30	20 90
Other toll earnings.....	64 97	35 25
TOTAL OPERATING REVENUES	\$2,946 27	\$1,723 15
<i>Operating Expenses:</i>		
Central office expenses	\$747 81	\$414 00
Wire plant expenses	554 85	378 84
Substation expenses	895 15	914 18
Commercial expenses	97 40	51 55
General expenses	154 95	80 00
Undistributed expenses	277 47	67 91
TOTAL OF ABOVE	\$2,727 63	\$1,906 48
Taxes	73 65	56 48
TOTAL OPERATING EXPENSES BEFORE DEPRE- CIATION	\$2,801 28	\$1,962 96
Operating revenues available for interest and depreciation	\$144 99	*239 81

* Deficit.

From the testimony relating to the foregoing expenses, it appears that applicant has not regularly provided for a

depreciation reserve and that unusual overhauling and maintenance expenses have been directly charged to the operating expenses. In the seven months ended July 31, 1918, about \$528 represents costs of repairing damages wrought to the wire plant system by a cyclone. This is the equivalent of substantially one year's allowance for depreciation. About \$200 per month is, we think, a fair allowance to make for operating expenses exclusive of depreciation for the purposes of this case. On this basis the present revenues yield about \$550 to cover depreciation and interest costs. These costs may reasonably be placed at \$1,280 per annum in our opinion. Consequently provision should be made for increasing applicant's annual revenues by \$730 above the revenues which may be expected from the present rates.

Were the rates proposed by applicant authorized and placed in effect, the increase in revenues would be \$714. This approximates very closely the additional revenues which applicant appears entitled to.

It is, therefore, ordered, That the applicant, the Plain Telephone Company, be, and the same hereby is, authorized to substitute for its present exchange rates the following increased exchange rates:

Business, one-party, per quarter.....	\$6 00
Business, two-party, per quarter.....	5 25
Residence, one-party, per quarter.....	5 25
Residence, two-party, per quarter.....	4 50
Rural, per quarter	4 50

The above rates shall be subject to the following discounts:

75 cents if bill is paid during the first month of the quarter.

50 cents if bill is paid during the second month of the quarter.

25 cents if bill is paid during the third month of the quarter.

If bills are not paid before the end of the quarter the discounts shall not be applicable.

Dated at Madison, Wisconsin, this twenty-fifth day of January, 1919.

44,00
15
-27c
APR 25 1919

American Telephone and Telegraph Company
Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 88

**Recent Commission Orders, Rulings and Decisions
from the following States:**

Arizona	New York
Idaho	North Dakota
Illinois	Ohio
Indiana	Oklahoma
Kansas	South Carolina
Michigan	South Dakota
Minnesota	Utah
Missouri	Washington
Nebraska	West Virginia
New Hampshire	Wisconsin

APRIL 1, 1919

ARIZONA.

Corporation Commission.

**ORDER OF SUSPENSION OF TELEPHONE RATES, TOLLS, RENTALS,
CHARGES, CLASSIFICATIONS, RULES AND REGULATIONS,
INSTITUTED OR SOUGHT TO BE INSTITUTED CONTRARY TO
LAW.**

General Order No. 57.

Dated January 20, 1919.

**Increases in Rates, Tolls, Rentals and Charges for Telephone Service
Suspended, Abrogated and Annulled.**

GENERAL ORDER.

It appearing that telephone companies operating in the State have instituted changes in rates, charges, rules and regulations for the installation, rental and use of telephones wholly at variance with and contrary to the laws of Arizona, and

It further appearing that telephone companies operating in the State purpose making effective January 21, 1919, further changes in rates, charges, tolls, rules and regulations, the effect of which will be to make further advances for services rendered by telephone companies within the State, and

It further appearing that the increases and changes made and sought to be made have been arbitrarily effected in a manner wholly contrary to the laws of Arizona and contrary to the practice of federal, State and other regulatory commissions, in that the public has been given no opportunity to be heard or to advance reasons for the general belief that the changes and charges made and sought to be made are unjustified,

It is ordered, and notice is hereby given to all telephone companies operating in the State, That all changes heretofore made or that may hereafter be made in the rates, tolls,

rentals, charges, classifications, rules, regulations, or contracts relating to or affecting any rate, toll, rental, charge, classification or service, the result of which has been to advance or increase the charge or charges paid for telephone service in and between points in the State of Arizona, be, and they are hereby, suspended, abrogated and annulled, and

It is further ordered, That the legal rates and charges for telephone service within the State are hereby declared to be the rates and charges as legally filed with this Commission in compliance with the orders of this Commission and the laws of this State.

Dated at Phoenix, Arizona, this twentieth day of January, 1919.

IDAHO.

Public Utilities Commission.

In re APPLICATION OF INDIAN VALLEY TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

F-254 — Order No. 549.

Decided January 20, 1919.

Increase in Business and Residence Rates Authorized.

OPINION AND ORDER.

This is an application by Indian Valley Telephone Company for authority to increase rates and charges for telephone service.

From the application and the annual report of applicant on file with this Commission and to which reference is made in the application, it appears that the applicant, Indian Valley Telephone Company, is a joint stock company owning and operating a telephone system in the counties of Washington and Adams, in the State of Idaho, with exchanges at Cambridge and Indian Valley connected by a toll line and with a toll line extending from Indian Valley to Council.

The value of the system as shown by applicant's annual report for the year 1917 is \$7,185, and it is alleged that the revenues heretofore derived from the operation of the system have not been sufficient to pay operating expenses and taxes and maintain the system in good order.

It is alleged that increased operating expenses and the necessity for repairs to enable the applicant to maintain efficient service require increased rates for the service furnished by applicant to its patrons.

Due notice of the filing of the application was given to the communities affected at Cambridge and Indian Valley and no objection was made or filed and no appearance made in opposition thereto, and thereupon the applicant was

called upon to present to the Commission justification for the raise in rates proposed.

The matter came regularly on for hearing on the tenth day of January, 1919, before Commissioners A. L. Freehafer and George E. Erb at the office of the Commission at Boise, Idaho, and testimony was taken on behalf of the applicant.

From the testimony and facts before the Commission, it appears that applicant owns and operates a system consisting of two exchanges, one at Cambridge and one at Indian Valley, with a connecting toll line, and with a toll line extending from Indian Valley to Council, and has physical connection with The Mountain States Telephone and Telegraph Company System at both Cambridge and Council.

This Commission has made no physical valuation of the property of applicant's system, but same is estimated at approximately \$10,000.

It is shown that no dividend has ever been paid on the capital stock of the company, but that all revenues derived have been used in the operation and maintenance of the system.

It further appears that in the making of necessary and required extensions an indebtedness of over \$1,000 has been incurred.

It is also shown that no depreciation reserve has been accumulated and that the pole lines of the system have depreciated to such an extent that immediate repair and reconstruction work, necessitating a considerable expenditure of money, is required in order to enable applicant to maintain efficient service.

The rates heretofore charged by the applicant as shown by the schedule on file with the Commission are as follows:

	<i>Per Month</i>
Business telephone, stockholders.....	\$2 00
Business telephone, non-stockholders.....	2 50
Residence telephone, stockholders.....	1 00
Residence telephone, non-stockholders.....	1 50
Non-subscribers, one-switch call 10 cents, two-switch calls 25 cents.	

It appears, however, from the evidence that some two years ago a modification of these rates was made and no schedule of such change of rates was filed with the Commission and that during the two years last past charges have been made as follows:

Business telephone, per month.....	\$2 50
Residence telephone, per month.....	1 50
Refund of 25 cents per month to each individual owner of telephone.	
Toll charge Cambridge to Indian Valley.....	15 cents
Toll charge Cambridge to Council.....	20 cents
Toll charge Indian Valley to Council.....	20 cents

The rates asked to be made effective by applicant are as follows:

Business telephone, per month.....	\$4 00
Residence telephone, per month.....	2 00
Toll charge between Cambridge and Indian Valley to be discontinued to regular telephone subscribers.	
Toll charge to non-subscribers.....	20 cents

It appears from the testimony that in order to render efficient service over the system it will be necessary for applicant company to rearrange and increase the salaries now paid operators. This will increase operating expenses approximately \$50.00 per month.

The applicant is also confronted with the necessity of rebuilding a considerable portion of its pole lines as fast as funds therefor may be available in order to maintain efficient service.

It is shown that the applicant has now approximately 25 business telephones and 83 residence telephones in use on the system, which at the rates proposed to be made effective will yield an increase in revenue of approximately \$79.00 per month from rental of telephones which will be partially offset by the discontinuance of toll charges between Cambridge and Indian Valley, but the Commission believes the net increase in revenues will amount to \$65.00 per month.

The Commission believes from the showing made that the increase of revenue which will be derived from the rates asked by applicant to be made effective, is necessary and required in order to enable applicant to maintain efficient service and pay operating expenses and taxes and that such an increase is reasonable and justified.

It is, therefore, ordered, That the applicant, Indian Valley Telephone Company, be, and it hereby is, authorized to cancel and discontinue all rates and charges now and heretofore in effect and to charge and collect for services rendered over its telephone system on and after February 1, 1919, in accordance with the following table:

Business telephone, per month.....	\$4 00
Residence telephone, per month.....	2 00

No toll charge to be made to regular subscribers for service between Cambridge and Indian Valley exchanges.

Toll charges on calls from Indian Valley or Cambridge to Council, 20 cents each.

Toll charges to non-subscribers only on calls from Cambridge to Indian Valley, 20 cents each.

It is further ordered, That the applicant, Indian Valley Telephone Company, file with the Commission on or before February 1, 1919, a schedule of rates and charges in accordance with this order.

Done in open session at Boise, Idaho, this twentieth day of January, 1919.

ILLINOIS.

Public Utilities Commission.

PUBLIC UTILITIES COMMISSION *v.* DOUGLAS TELEPHONE
COMPANY.

Case No. 8135.

Decided February 4, 1919.

Improvement in Service Ordered.

OPINION AND ORDER.

On February 9, 1918, a complaint was filed with the Commission by 114 subscribers of the Douglas Telephone Company, Newman, Illinois, representing 146 telephone stations, stating that the service furnished by the said Douglas Telephone Company, in Newman and vicinity, was inadequate, unsatisfactory, and that inexperienced and incompetent help was employed by the telephone company, and asking that the matter be investigated by the Commission.

Efforts to handle the matter informally were unsuccessful. On formal complaint the matter came on for hearing before the Commission on June 5, 1918. *George W. Jackson* represented complainants, *J. W. Hamilton* and *O. M. Burgess* represented respondent.

It appears from the record that the plant operated by respondent in Newman was in very poor condition, owing to deferred maintenance, that current repairs were not made promptly, that the operators at the switchboard were improperly trained and were not subject to necessary discipline, and that the business and social interests of Newman suffered to an unnecessary and avoidable extent as a result of the inadequacy of the service.

In view of all the circumstances, as shown by the record, the telephone company was instructed to make such repairs

and improvements as were found necessary to rehabilitate the service, on or before August 1, 1918. The work of rehabilitating the plant, in order to place the service on a satisfactory basis, proceeded very slowly, and a follow-up inspection was made by the engineering department on July 30, 1918. It was found at that time that the work was not completed, and after careful consideration of the conditions, notably the difficulty in securing skilled help, as well as the difficulty in securing material, the telephone company was accorded additional time in which to complete the work.

On January 10, 1919, the file was referred to the telephone engineer, and on January 13, 1919, an inspection of the plant was made, with a view of determining the present conditions and the character of the service furnished. This inspection was complete, aside from rural circuits, which were inaccessible due to the impassable condition of the roads.

In general, it is found that the telephone company has effected a marked improvement in its plant and service, but that there is still some dissatisfaction. It was also found that the telephone company is disposed to take steps to render the service satisfactory to the public, and that there is no apparent reason at the present time why the service should not be promptly rehabilitated and all reasonable cause for complaint removed.

It is, therefore, ordered, That the Douglas Telephone Company, of Newman, Illinois, respondent herein, rehabilitate its plant, improve its service and make necessary repairs, so that the standards of telephone service, as set forth by the Public Utilities Commission, in General Order No. 23* (Conference Ruling No. 18), may be maintained, and that such improvement and rehabilitation of the telephone service may be made on or before March 1, 1919.

It is further ordered, That the Douglas Telephone Company, of Newman, inform the Commission in writing

* See Commission Leaflet No. 42, p. 16.

C. L. 88]

through its secretary and president, when such repairs and rehabilitation in plant and service have been completed, so that within a period of ten days thereafter a check and inspection may be made by the telephone engineer of the Commission.

By order of the Commission, at Springfield, Illinois, this fourth day of February, 1919.

In re PROPOSED INCREASE IN RATES OF THE TRI-COUNTY
TELEPHONE COMPANY.

Case No. 8552.

Decided February 4, 1919.

**Increase in Rates Authorized — Allowance of 6 Per Cent. for Reserve
for Depreciation Made.**

Applicant filed a revised schedule of rates which was suspended until February 28, 1919, pending a hearing.

Held: That after carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital and including present stock of materials and supplies, the fair value, used and useful in furnishing telephone service in the territory of the applicant, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, was at least \$24,015 as of November 1, 1918;

That should the present number of subscribers' stations be maintained, classified and distributed in accordance with the proposed rate schedule, the annual operating revenue would be increased approximately \$2,385;

That, including an allowance of 6 per cent. for reserve for depreciation, the proposed rates would assure a return over all expenses of approximately \$982, which is 3.9 per cent. of the fair value of the property as found by the Commission;

That applicant should be authorized to put the proposed rates into effect;

That applicant should set aside annually as a reserve for depreciation a sum equal to 6 per cent. of the cost to reproduce the entire physical property, using prices for labor and material based upon a five-year average, 1912-1916, inclusive, plus 6 per cent. of the cost of all additions made annually in the future.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Mount Vernon, Woodlawn, Waltonville, Bonnie, Updyke, Belle Rive, Hales, Ina, Ashley and vicinities, having been filed by the Tri-County Telephone Company, and a hearing before the Commission on the matter being necessary, an order was entered, suspending the placing in effect of the proposed rates until February 28, 1919. The present rates are as follows:

	<i>Per Annum</i>
Individual line business stations, city.....	\$15 00
Party line business stations, city.....	12 00
Party line residence stations, city.....	7 20
Individual line business stations, village.....	10 20
Party line business stations, village.....	7 20
Party line residence stations, village.....	7 20
Rural multi-party line, business stations.....	7 20
Rural multi-party line, residence stations.....	7 20

Under the revised schedule it is proposed to discontinue the present rates and establish, in lieu thereof, the following:

	<i>Per Annum</i>
Individual line business stations, city (Mount Vernon only) ..	\$21 00
Party line business stations, city (Mount Vernon only).....	16 20
Party line residence stations, city (Mount Vernon only).....	10 20
Individual line business stations, village.....	15 00
Party line business stations, village.....	12 00
Party line residence stations, village.....	10 20
Rural multi-party business stations.....	12 00
Rural multi-party residence stations.....	10 20

The matter came on for hearing before the Commission on October 1, 1918. The Tri-County Telephone Company was represented by *L. C. Hills*, secretary, no objectors appearing. Petitioner was instructed to file an inventory and appraisal of the plant and revenue and expense statements for the year 1917, which were subsequently received.

Publication of a notice of intention to apply for authority to increase rates was also made subsequent to the first hearing and certificate of such publication filed. No

C. L. 88]

requests were received for further hearing and no objections to the proposed advance in rates were filed.

The testimony introduced tends to show that the rates now in effect do not produce revenue sufficient to cover operating expenses, provide an adequate reserve against depreciation, and pay a reasonable return. The company is now furnishing service to 770 subscribers, classified and distributed as follows:

Individual line business stations (Mount Vernon).....	19
Party line business stations.....	15
Party line residence stations.....	44
Rural multi-party residence stations.....	692
TOTAL STATIONS	770

The system in use is of the magneto type, with grounded circuits to all subscribers.

The inventory filed has been checked and the checked inventory appraised by the Commission's engineers. The cost to reproduce the physical portion of the entire property new, including present stock of materials and supplies, as of December 1, 1918, and based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, is \$39,593, and the cost to reproduce new, less depreciation, is \$19,004.

The total annual operating expense for the year 1917, as reported by petitioner, is \$6,404. No allowance has been made to provide a reserve against depreciation.

A large proportion of the poles in use are native oak, having a comparatively short life. After carefully considering the type of the plant, and its present condition, the Commission is of the opinion, and finds, that at least 6 per cent. of the reproduction cost new, less the present stock of materials and supplies, based upon average prices for labor and material for the five-year period, 1912 to 1916, inclusive, plus 6 per cent. of the cost of all additions made in the future, should be set aside annually to provide an adequate reserve against depreciation. Including such an

allowance, the total annual normal operating expense will be \$7,854.

The total annual operating revenue reported, for the year ending December 31, 1917, is \$6,400.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital, and including present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Mount Vernon, Woodlawn, Waltonville, Bonnie, Updyke, Belle Rive, Hales, Ina, Ashley and vicinities, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, as of November 1, 1918, is at least \$24,015. Should the present number of subscribers' stations be maintained, classified, and distributed in accordance with the proposed rate schedule, the annual operating revenue will be increased approximately \$2,385. Including a proper allowance to provide an adequate reserve against depreciation, as determined by the Commission, this will assure a return over all expenses of approximately \$932, which is 3.9 per cent. of the fair value of the property fixed as a basis for rate-making.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That a suspension order, affecting Schedule I. P. U. C. 1, of the Tri-County Telephone Company, dated October 28, 1918, be, and the same is hereby, vacated as of February 1, 1919.

Section 2. That the Tri-County Telephone Company be, and the same hereby is, authorized to discontinue the schedule of rates now in effect in Mount Vernon, Woodlawn, Waltonville, Bonnie, Updyke, Belle Rive, Hales, Ina, Ashley and vicinities, and to substitute therefor the following:

IDAHO.

Public Utilities Commission.

In re APPLICATION OF INDIAN VALLEY TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

F-254 — Order No. 549.

Decided January 20, 1919.

Increase in Business and Residence Rates Authorized.

OPINION AND ORDER.

This is an application by Indian Valley Telephone Company for authority to increase rates and charges for telephone service.

From the application and the annual report of applicant on file with this Commission and to which reference is made in the application, it appears that the applicant, Indian Valley Telephone Company, is a joint stock company owning and operating a telephone system in the counties of Washington and Adams, in the State of Idaho, with exchanges at Cambridge and Indian Valley connected by a toll line and with a toll line extending from Indian Valley to Council.

The value of the system as shown by applicant's annual report for the year 1917 is \$7,185, and it is alleged that the revenues heretofore derived from the operation of the system have not been sufficient to pay operating expenses and taxes and maintain the system in good order.

It is alleged that increased operating expenses and the necessity for repairs to enable the applicant to maintain efficient service require increased rates for the service furnished by applicant to its patrons.

Due notice of the filing of the application was given to the communities affected at Cambridge and Indian Valley and no objection was made or filed and no appearance made in opposition thereto, and thereupon the applicant was

authority to sell to the Wabash Valley Telephone Company, the exchange property of the Receivers in the city of Paris and vicinity and their center-checking toll lines in connection therewith.

The consideration for the sale and conveyance of said property was to be capital stock and bonds of the Wabash company in the same amounts and proportions to the appraised value of the purchased property as the outstanding capital stock and bonds of the Wabash company bore to the appraised value of the total property of the Wabash company, the capital stock to be taken by the Receivers at par and the bonds — first mortgage 5 per cent.— to be accepted at 94.

Held: That due to the fact that the Wabash company was undercapitalized and to the further fact that the unification of telephone service was in harmony with the policy of the Commission in that it afforded more complete and satisfactory local and long distance service to the public than could be afforded under present competitive conditions, the contract of sale in this case should be approved, *provided, however*, that this approval should be construed as determining the value of the property under consideration or as authorizing the Wabash company to issue any securities thereunder without further authority of the Commission;

That this order should not be construed as authorizing any change in local or long distance telephone rates at, from, or to, the respective plants involved therein.

OPINION AND ORDER.

The joint application filed herein by the Wabash Valley Telephone Company of Paris, Illinois, an Illinois corporation and by David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers of the Central Union Telephone Company, asks for the approval of the Commission to the sale by said Receivers to the Wabash Valley Telephone Company and the purchase by said Wabash Valley Telephone Company of the said Receivers' local exchange property in the city of Paris and vicinity, counties of Edgar and Clark, Illinois, and their center-checking toll lines in connection therewith.

The contract of purchase and sale entered into between the said Receivers and the said Wabash Valley Telephone Company (hereinafter called the Wabash company) on the twenty-first day of November, 1918, a certified copy of which is attached to the petition as Exhibit A, provides that the consideration for the sale and conveyance of said

C. L. 88]

property shall be capital stock and bonds of the Wabash company in the same amounts and proportions as the outstanding capital stock and bonds of the Wabash company bears to the appraised value of the total property of the Wabash company. The capital stock is to be taken by the Receivers at par and the bonds to be accepted are to be of the first mortgage 5 per cent. bonds of the Wabash company issued under the provisions of a mortgage dated December 1, 1906, and running for a period of twenty years to American Trust and Savings Company as trustee. Said bonds are to be accepted by the Receivers at 94 per cent. of the par value thereof up to December 1, 1918, being the amortized value as of December 1, 1918, and said 94 per cent. of the par value shall be increased at the rate of one-twelfth of three-fourths of 1 per cent. for each month which the date of purchase and sale is subsequent to December 1, 1918.

The contract further provides that the parties are to execute a traffic agreement governing the interchange of toll line business, it being understood that the basis for the division of present and future toll line business originating on the exchange system of the merged company, and terminating on the lines of the Receivers and their connecting lines, or terminating on the toll lines of other companies now having connection with the Wabash company, shall be the ratio of past performances based on the average of the years 1915, 1916 and 1917, with respect to the toll line business originating on the present Paris exchange systems of both parties in Edgar and Clark counties, it being further understood that the general principles of the Decatur order (Case P. U. C. Ill. No. 4462)* shall apply to said division of toll business.

The contract further provides that the parties are to execute such contracts as they may legally enter into granting the use of certain facilities of each party to the other party, upon the usual rental considerations, and insofar

* See Commission Leaflet No. 55, p. 384.

as such use will not conflict with or injure the use of facilities by the company owning them.

The contract further provides that appraisals shall be made of the property of the Wabash company and of the property of the Receivers to be transferred to the Wabash company, that is to say, of all the property of each of the parties which is to become the property of the Wabash company when the proposed merger is completed.

The total net amount of stock and bonds issued to the Receivers is to bear the same ratio to the depreciated plant value of the property of the Receivers to be transferred to the Wabash company as the total net amount of stock and bonds of the Wabash company, outstanding at the time of the appraisal, bears to its depreciated plant value, plus all its other net assets, at their actual value, exclusive, however, of bonds unissued or in the sinking fund.

Due to the fact that the Wabash company is under-capitalized, and to the further fact that the unification of telephone service is in harmony with the heretofore expressed policy of this Commission, and affords more complete and satisfactory local and long distance service to the public than can be afforded under present competitive conditions, this Commission is of the opinion, and finds, that the contract of sale hereinbefore referred to should be approved upon certain conditions hereinafter set forth.

It is, therefore, ordered by the Public Utilities Commission of Illinois, That the contract of purchase and sale entered into on the twenty-first day of November, 1918, between David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers of the Central Union Telephone Company, and the Wabash Valley Telephone Company, with reference to the sale of said Receivers' Paris exchange property and center-checking toll lines in connection therewith, be, and the same is hereby, approved, provided, however, that this approval shall not be construed as determining the value of the property under consideration or as authorizing the Wabash Valley Telephone Company to

C. L. 88]

issue any securities thereunder without further authority of this Commission.

It is further ordered by the Public Utilities Commission of the State of Illinois, That before the transfer and sale of the said property, that the parties hereto shall file the appraisals of the properties with the Commission in order that the Commission might first determine as to the value of the property to be transferred and the amount of securities that may be properly issued, and that such appraisals shall be filed with this Commission within six months from the date of this order, and this consolidation shall be completed and in effect within one year from date of this order.

It is further ordered by the Public Utilities Commission of Illinois, That this order shall not be construed as authorizing any change in local or long distance telephone rates at, from, or to the respective plants involved herein.

By order of the Commission, at Springfield, Illinois, this fourth day of February, 1919.*

In re PROPOSED INCREASE IN RATES OF THE LEXINGTON HOME TELEPHONE COMPANY.

Case No. 8447.

Decided February 17, 1919.

Increase in Business, Residence and Rural Rates Authorized — Allowance Made for Reserve for Depreciation.

OPINION AND ORDER.

A revised schedule of rates for telephone service, in Lexington and vicinity, having been filed by the Lexington Home Telephone Company and a hearing on the matter

* On the same date a similar order was issued in Case No. 8788, authorizing the Receivers, Central Union Telephone Company to sell, and the Kinloch-Bloomington Telephone Company to buy, the local exchange property of the Receivers, Central Union Telephone Company in Normal and Bloomington and vicinity. The consideration and the conditions were similar to those in the case above.

before the Commission being deemed necessary, an order was issued, suspending the placing in effect of the proposed rates until January 28, 1919. Pending the final decision another order was issued, further suspending the placing in effect of the proposed schedule until July 28, 1919.

The present and proposed schedules of rates are as follows:

	<i>Annual Rates</i>	
	<i>Present</i>	<i>Proposed</i>
Individual line business telephone.....	\$24 00	\$33 00
Two-party line business telephone.....	.....	27 00
Individual line residence telephone.....	15 00	24 00
Two-party line residence telephone.....	.....	21 00
Business extension telephone.....	9 00	9 00
Residence extension telephone.....	6 00	6 00
Extension bells, business, residence.....	3 00	3 00
Extra listing of names in directory (business) ..	.....	3 00
Desk telephones, in residence, in addition to regular rates .....	.....	3 00
Extra mileage, line extending beyond established exchange area:		
Individual line, per quarter mile, or fraction thereof		3 00
Two-party line, per quarter mile, or fraction thereof, for each subscriber.....		2 00
Party line, rural telephones.....	15 00	21 00

NOTE: A discount of 25 cents per month applies to the rate for business and residence telephones if payment is made monthly in advance, on or before the fifteenth day of the current month. A discount of 25 cents per month applies to the rate for rural party line telephones, if payment is made quarterly, on or before the fifteenth day of the first month of the current quarter.

The matter came on for hearing before the Commission on September 17, 1918. Petitioner was represented by *Samuel Naylor*, attorney; *O. F. Franklin*, appeared for the city of Lexington, objector.

An inventory and appraisal of the plant involved was submitted, together with proof of publication of notice of

C. L. 88]

intention to apply for authority to increase rates, and comparative statements of revenue and expense for the years 1915 to 1917, inclusive.

On January 1, 1918, service was furnished to 550 subscribers, distributed and classified as follows:

	<i>Per Annum</i>
Individual line business stations.....	46 at \$24 00
Individual line residence stations.....	225 at 15 00
Rural multi-party line stations.....	279 at 15 00

The plant is of the magneto type, with metallic circuits. The inventory and appraisal filed has been checked by the Commission's engineers and the checked inventory appraised. The reproduction cost new of the entire plant, exclusive of toll, using average prices for labor and material, for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$60,391. The reproduction cost new, less depreciation, and including present stock of materials and supplies, is \$44,569.

The reproduction cost new, for that portion of the plant devoted exclusively to toll, using the average prices for labor and material, for the same period, is \$4,035. The reproduction cost new, less depreciation, is \$2,349.

In connection with the inventory and appraisal of the plant, the condition of its component parts was determined by inspection. Based upon such inspection and a careful consideration of normal life tables, the Commission is of the opinion that the present annual allowance of \$3,000 will provide an adequate reserve to cover current depreciation.

The average annual operating expenses for the years 1916 and 1917, shown by reports on file with the Commission, including an annual allowance of \$3,000 to provide a reserve for depreciation, as fixed by the Commission, is approximately \$10,877.

The total toll plant owned by petitioner is relatively small and the average annual total toll message revenue is

approximately \$3,972. The Commission is of the opinion, and finds, that approximately \$993 of the toll revenue may properly be allocated as local revenue. The average total annual local revenue, therefore, including allocated toll, for the two-year period ending December 31, 1917, is \$10,316. On this basis, the average operating result for the years 1916 and 1917, under the present rates, would be a deficit of \$561.

The proposed rates will produce a probable net increase in operating revenue of approximately \$2,146. Assuming that the present number of subscribers' stations will be maintained, with the distribution and classification probable under the proposed schedule, the increased rates will produce a net annual income of approximately \$1,584 per annum. This is a return of 3.55 per cent. on the reproduction cost new, less depreciation, of the physical portion of the plant.

The Commission is of the opinion, therefore, and finds, that it is unnecessary in this case, to determine a fair total present value of the entire property, tangible and intangible, as a basis for fixing rates, since on such an assumed minimum value, the proposed schedule of rates will produce a probable net annual return of 3.55 per cent.

In view of all the facts, the Commission is of the opinion, and finds, that the proposed schedule of rates is justifiable and should be authorized.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That suspension and re-suspension orders affecting Rate Schedule I. P. U. C. 1, of the Lexington Home Telephone Company be, and the same are hereby, vacated, as of March 1, 1919.

Section 2. That the Lexington Home Telephone Company be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Lexington and vicinity, and to substitute therefor the following:

C. L. 88]

	<i>Annual Rates</i>
Individual line business telephone.....	\$33 00
Two-party line business telephone.....	27 00
Individual line residence telephone.....	24 00
Two-party line residence telephone.....	21 00
Business extension telephone.....	9 00
Residence extension telephone.....	6 00
Extension bells, business, residence.....	3 00
Extra listing of names in directory (business).....	3 00
Desk telephones, in residence, in addition to regular rates....	3 00
Extra mileage, line extending beyond established exchange area:	
Individual line, per quarter mile, or fraction thereof....	3 00
Two-party line, per quarter mile, or fraction thereof, for subscriber	2 00
Party line, rural telephones.....	21 00

NOTE: A discount of 25 cents per month applies to the rate for business and residence telephones, if payment is made monthly in advance on or before the fifteenth day of the month in which service is rendered. A discount of 25 cents per month applies to the rate for rural party telephones, if payment is made quarterly in advance on or before the fifteenth day of the first month of the quarter in which service is rendered.

Section 3. That the Lexington Home Telephone Company render all bills for telephone rental, subject to discount for payment on or before a specified time, at the beginning of the period during which the service is rendered.

Section 4. That the Lexington Home Telephone Company set aside annually, to provide a reserve against depreciation, \$3,000, plus 6 per cent. of the cost of all annual additions made to the plant in the future.

Section 5. That the schedule of rates authorized herein shall be filed, posted and published by the Lexington Home Telephone Company in conformity with Section 34 of the Act to Provide for the Regulation of Public Utilities now in force in Illinois, and with General Order No. 48* of the Public Utilities Commission of Illinois, that it shall be known as I. P. U. C. 1, and become effective March 1, 1919.

By order of the Commission, at Springfield, Illinois, this seventeenth day of February, 1919.

* See Commission Leaflet No. 87, p. 891.

In re APPLICATION OF ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION FOR AUTHORITY TO INCREASE RATES.

Case No. 8693.

Decided February 17, 1919.

**Horizontal Increase in Rates of 25 Cents per Month, per Telephone,
Denied.**

OPINION AND ORDER.

A joint application filed by the Illinois Independent Telephone Association and individual member companies joining therein, asks for the issuance of an order authorizing the placing in effect of a uniform increase in all rates of the designated telephone companies of 25 cents per month during the period of the war, or a period to be determined by the Commission.

The individual companies joining as member companies with the Illinois Independent Telephone Association in the joint petition herein, are as follows:

Assumption Telephone Company.....	Assumption
Atwood Mutual Telephone Company.....	Atwood
Benson Telephone Company.....	Benson
Boynton Telephone Company.....	Pleasant Plains
Chesterfield Telephone and Telegraph Company.....	Chesterfield
Colfax Telephone Company.....	Colfax
Coon Brothers Telephone Company.....	Rantoul
Deer Creek Telephone Exchange.....	Deer Creek
Depue Telephone Company.....	Depue
Effingham County Telephone Company.....	Altamont
Elmwood Telephone Company.....	Elmwood
El Paso Telephone Company.....	El Paso
Eureka Telephone Company.....	Eureka
Farmers Telephone Company.....	Carlock
Fayette Home Telephone Company.....	St. Elmo
Forest City Telephone Company.....	San Jose
Inter-State Independent Telephone and Telegraph Company	Aurora
Monmouth Telephone Company.....	Monmouth
Moweaqua Telephone Company.....	Moweaqua
Newton Telephone Company.....	Newton
Odell Telephone Company.....	Odell

C. L. 88]

Piatt County Telephone Company.....	Monticello
Potomac Telephone Company.....	Potomac
Rossville Telephone Company.....	Rossville
White County Telephone Company.....	Carmi
Woodland Telephone Company.....	Woodland

The matter came on for hearing before the Commission on December 3, 1918, the Association and designated member companies being represented by *Hon. O. F. Berry, A. J. Kelly*, attorney, appearing as objector in behalf of the city of Aurora.

Evidence offered tends to show that the expense of operating, due to present abnormal conditions, has been somewhat increased, and that such an increase in operating expense may render necessary an increase in the rates of some companies of the Illinois Independent Telephone Association appearing as petitioners herein, but specific proof as to such companies has not been introduced in this application.

The petition, insofar as it involved an application on the part of the Fayette Home Telephone Company and the Effingham County Telephone Company is withdrawn, upon written request of the two companies filed with the Commission January 17, 1919, subsequent to the hearing.

Inventories and appraisals of the several plants involved were not filed, but individual condensed financial statements, showing, in each case, an estimate of the value of the property, at present rates, and the total revenue and expense for the year ending December 31, 1918, as reported to the Commission, were introduced.

It is possible, on individual showing with respect to some of the companies, that a horizontal increase of 25 cents per month, per station, might be justified. However, after carefully considering the evidence and exhibits, as of record in this case, the Commission is of the opinion, and finds, on the showing made, that the proposed horizontal increase of 25 cents per month, per station, applicable to all of the companies, petitioners herein, is not justified.

It is, therefore, ordered, That the petition be, and the same is hereby, dismissed.

By order of the Commission, at Springfield, Illinois, this seventeenth day of February, 1919.

In re PROPOSED INCREASE IN THE RATES OF THE KEWANEE HOME TELEPHONE COMPANY.

Case No. 8761.

Decided February 17, 1919.

Increase in Rates Authorized—Discount for Prompt Payment Equal to Increase in Rates Authorized.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Kewanee, county of Henry, and vicinity, having been filed by the Kewanee Home Telephone Company, and a hearing before the Commission on the matter being necessary, an order was issued, suspending the placing in effect of the proposed rates until April 20, 1919.

The present rates in Kewanee and vicinity are as follows:

	<i>Per Annum</i>
Individual business stations.....	\$39 00
Two-party business stations.....	33 00
Four-party business stations.....	30 00
Individual residence stations.....	24 00
Two-party residence stations.....	18 00
Four-party residence stations.....	16 20
Rural four-party selective service, common battery stations, first half mile or less outside city limits.....	18 00
Rural four-party selective service, common battery stations, one-half mile to two miles outside city limits.....	21 00
Rural multi-party magneto stations.....	15 00
Business extension telephones.....	12 00
Residence extension telephones.....	6 00
Rural switching service.....	6 00
Private branch exchange switchboard.....	12 00
Private branch exchange switchboard trunk.....	42 00
Private branch exchange switchboard local stations.....	12 00
Hotel switchboard	6 00
Hotel switchboard local stations.....	6 00

C. L. 88]

NOTE: An annual charge of \$7.50 per quarter-mile or fraction thereof, is imposed to connect each station of the private branch exchange switchboard, where such station so connected is in the same premises, that is under the same roof.

Business telephones in the country are \$6.00 per annum more in the same zone than the residence rate.

NOTE: A discount of \$1.00 per annum will be given on all bills for switching service if paid annually, in advance, on or before the expiration of thirty days from January 1, of each and every year.

The schedule which it is proposed to place in effect provides for a flat increase of \$3.00 per annum on the rates now applying to all telephone service furnished, with the exception of rural service stations, private branch exchange switchboards, trunks and local stations, which will remain unchanged.

It is further proposed that the revised rates be subject to a discount of 25 cents per month, per station, provided that rentals are paid on or before a specified time. In the case of the city telephones, rentals to be subject to discount, must be paid on or before the fifteenth day of the month in which service is rendered, and in the case of rural telephones, the discount is allowable, provided payment is made quarterly in advance on or before the first day of the second month of the calendar quarter.

The matter came on for hearing before the Commission on January 14, 1919. The Kewanee Home Telephone Company was represented by *O. M. Burgess*, no objectors appearing.

Testimony offered tends to show that the expense now incurred in the collection of telephone rentals averages approximately \$118 per month, and that the work of effecting collections satisfactorily involves a disorganization of the operating force of the company, as well as additional expense for transportation, service and incidentals. The evidence further tends to show that the average expense of operations, due to present price conditions, has been materially increased, and that one of the effects of such temporary increase in operating expense is to render necessary and advisable the establishment of methods by means of which collections may be effected more promptly.

The evidence offered also tends to show that the effect of a discount on rentals, provided payment is made on or before a specified date, placed in effect by telephone companies other than the petitioner, has been to expedite greatly the collection of telephone rentals and that telephone subscribers, almost without exception, take advantage of the discount terms and make prompt payment. It is evident that when telephone subscribers do take advantage of such discount, that the net amounts paid by such subscribers for service are not increased. The testimony offered further tends to show that collections are likely to be delayed unless a discount is offered for prompt payment, and that the expense of making delayed collections is a substantial increase in the total expense of operation.

After a careful consideration of the matter, and the record in the case, the Commission is of the opinion, and finds, that the proposed schedule, comprising an increase of 25 cents per month, per station, on all classes of service, except rural service stations, private branch exchange switchboards, trunks and local stations and extension sets, is justified, provided that said increase of 25 cents per month, per station, is made contingent in every case upon an allowance of 25 cents per month, per station, when rentals are paid on or before the specified time, as given in the proposed schedule.

It is, therefore, ordered, by the Public Utilities Commission of Illinois, as follows:

Section 1. That a suspension order, affecting Rate Schedule I. P. U. C. 1, of the Kewanee Home Telephone Company, dated December 16, 1918, be, and the same is hereby, vacated as of February 15, 1919.

Section 2. That the Kewanee Home Telephone Company, petitioner herein, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Kewanee and vicinity; and to substitute therefor the proposed schedule, under the following condition and not otherwise, to-wit:

Bills for telephone rental, subject to discount for payment on or before a specified time, will be rendered at

C. L. 88]

the beginning of the period during which the service is furnished.

	<i>Per Annum</i>
Individual line business telephones.....	\$42 00
Two-party line business telephones.....	36 00
Four-party line business telephones.....	33 00
Business extension telephones.....	12 00
Individual line residence telephones.....	27 00
Two-party line residence telephones.....	21 00
Four-party line residence telephones.....	19 20
Residence extension telephones.....	6 00
Private branch exchange switchboards.....	12 00
Private branch exchange trunk lines.....	42 00
Private branch exchange stations.....	12 00
Hotel P. B. X. switchboards.....	6 00
Hotel P. B. X. stations.....	6 00

An annual charge of \$7.50 per quarter mile, or fraction thereof, is imposed to connect each station to the P. B. X. switchboard where such station so connected is not in the same premises, that is, under the same roof.

NOTE: A discount of 25 cents per month applies to the rates for city service, except the rates for extension telephones and private branch exchange switchboards, trunks and stations provided payment is made monthly in advance, on or before the fifteenth day of the current month.

Rural party line telephones.....	19 00
Four-party line rural telephones selective signal (central energy) first half mile or less outside city limits.....	21 00
Four-party line rural telephones, selective signal (central energy) from one-half mile to two miles outside city limits..	24 00
Business telephones in the country are \$6.00 per year more in each zone than the residence rates.	

NOTE: A discount of 25 cents per month applies to the rates for rural service, provided payment is made quarterly, in advance, on or before the first day of the second month of the current quarter. The term "current quarter," as used herein, applies to the three-months' period beginning January 1, April 1, July 1, and October 1, of each year.

Rural service stations, rural subscribers who own and maintain their lines and telephones and connect with the lines of the company at the exchange limits or some other designated point	6 00
---	------

NOTE: A discount of \$1.00 per year applies to the rate for rural switching service, if payment is made annually, in advance, on or before the expiration of thirty days from January 1, of each year.

Section 3. That the Kewanee Home Telephone Company file, post and publish, in conformity with Section 34 of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23), of the Public Utilities Commission of Illinois, a schedule of the rates herein authorized for telephone service, and that such increased rates shall become effective on February 15, 1919.

By order of the Commission, at Springfield, Illinois, this seventeenth day of February, 1919.

In re APPLICATION OF MILLEDGEVILLE MUTUAL TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Case No. 7728.

Decided February 18, 1919.

Increase in Rates Authorized — Classification of Rates in Accordance with Service Furnished, Made — Allowance Made for Working Capital — Allowance for Reserve for Depreciation Fixed.

Applicant sought authority to increase its rates from \$12.00 per year for all classes of service to \$18.00 per year for individual business service, \$17.00 per year for two-party residence service, \$16.00 per year for four-party residence service and \$16.00 per year for rural multi-party service, all of the proposed rates to be payable semi-annually in advance, and a discount of \$1.00 to be allowed from rentals where paid on or before April 1 and October 1 of each year, for the six-months' period in which service was rendered.

Extensive improvements had recently been made in the plant, grounded circuits had been changed to metallic and selective party line service installed.

Held: That, after carefully considering the method of appraising the plant, taking into consideration every act and circumstance bearing upon its value, making due allowance for the necessary working capital, and including the present stock of materials and supplies, the fair value of the property, used and useful in furnishing telephone service in Milledgeville and Chadwick and vicinities, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, as of January 1, 1918, was at least \$52,000;

* See Commission Leaflet No. 54, p. 21.

C. L. 88]

That considering all factors affecting the rate of depreciation, an annual allowance of \$4,531 should be made to provide an adequate reserve and including such an annual allowance for reserve for depreciation, the average operating expenses for the years 1916 and 1917 would be \$10,920, which was not excessive for a telephone plant of this character;

That should the present number of stations be maintained, distributed and classified according to the proposed schedule, the average annual revenue would be increased about \$2,196 and the net income would be approximately \$2,651 over all operating expense, leaving for return on the investment a sum equal to 5.1 per cent. on the value of the property as fixed by the Commission; therefore, the proposed rates should be approved;

That applicant should set aside annually to provide for reserve for depreciation \$4,531 plus 6 per cent. of the cost of all annual additions made to the plant in the future.

OPINION AND ORDER.

The application filed herein sets forth that petitioner is a public utility engaged in the operation of a telephone system in Milledgeville and Chadwick, and vicinities, and that as such public utility it is subject to the provisions of the Act to Provide for the Regulation of Public Utilities. Authority is asked to discontinue the present schedule of rates and substitute another therefor. The present and proposed schedules are as follows:

	<i>Annual Rates</i>	
	<i>Present</i>	<i>Proposed</i>
Individual line, business.....	\$12 00	\$18 00
Two-party line, residence.....	12 00	*17 00
Four-party line, residence.....	12 00	*16 00
Rural, multi-party line.....	12 00	*16 00

* Rentals are payable semi-annually on January 1 and July 1 in advance. If rentals are paid before April 1 and October 1 of each year for the six-months' period in which service is rendered, a discount of \$1.00 will be allowed.

The matter came on for hearing before the Commission on February 27, 1918. The Milledgeville Mutual Telephone Company was represented by *A. M. Films*, secretary, no objectors appearing. Petitioner submitted proof

of publication of notice of intention to apply for authority to increase rates, and made the annual report for 1917 on file with the Commission a part of the record. A statement of revenue and expense for the year ending December 31, 1917, and a statement of the classification and distribution of subscribers as of January 1, 1918, was also filed. Service is now being furnished to 1,022 subscribers classified as follows:

	<i>Milledgeville</i>	<i>Chadwick</i>
Individual line business telephones.....	39	37
City residence telephones.....	190	159
Rural telephones	353	244

Extensive improvements have recently been made in the plant. Grounded circuits have been changed to metallic, and selective party line service installed.

An inventory and appraisal of the plant involved was made by the Commission's engineers. The reproduction cost new, using average prices for labor and material for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$68,121, and the reproduction cost new, less depreciation, is \$43,671.

After carefully considering the method of appraising the plant, taking into consideration every fact and circumstance bearing upon its value, making due allowance for the necessary working capital, and including the present stock of materials and supplies, the Commission is of the opinion, and finds, that a fair value of the property used and useful in furnishing telephone service in Milledgeville and Chadwick, and vicinities, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes, as of January 1, 1918, is at least \$52,000.

The annual reports for the years ending December 31, 1916, and December 31, 1917, on file with the Commission, indicate that the average annual operating revenue for the two-year period is approximately \$11,276. The average annual operating expense for the same period, exclusive of

C. L. 88]

any allowance to provide for depreciation, is approximately \$6,289.

After carefully considering all factors affecting the rate of depreciation, the Commission is of the opinion, and finds, that an annual allowance of \$4,531 will be required to provide an adequate reserve against depreciation. Such an annual allowance to provide for depreciation, plus the average annual operating expense for the years 1916 and 1917, as reported, is \$10,920. Careful consideration shows that the operating expenses per station are not excessive for a telephone plant of this character. Should the present number of stations be maintained, distributed and classified according to the proposed schedule, the present average annual revenue will be increased approximately \$2,196. On this basis the proposed rates will produce a net income of approximately \$2,651 over all operating expense. This is a net return of 5.1 per cent. on the value of the property as of January 1, 1918, as fixed by the Commission for rate-making purposes.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Milledgeville Mutual Telephone Company be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Milledgeville and Chadwick, and vicinities, and substitute in lieu thereof the following:

	<i>Annual Rates</i>
Individual line, business.....	\$18 00
Two-party line, residence.....	17 00
Four-party line, residence.....	16 00
Rural multi-party line.....	16 00

Rentals are payable semi-annually on January 1 and July 1 in advance. If rentals are paid before April 1 and October 1 of each year for the six-months' period in which service is rendered, a discount of \$1.00 will be allowed.

Section 2. That the Milledgeville Mutual Telephone Company set aside annually, to provide a reserve against depre-

ciation, \$4,531, plus 6 per cent. of the cost of all annual additions made to the plant in the future.

Section 3. That the schedule of rates authorized herein shall be filed, posted and published by the Milledgeville Mutual Telephone Company in conformity with Section 34 of an Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* (Conference Ruling No. 23) of the Public Utilities Commission of Illinois, and that it shall be known as I. P. U. C. 1 and shall become effective February 15, 1919.

By order of the Commission at Springfield, Illinois, this eighteenth day of February, 1919.

ASSUMPTION MUTUAL TELEPHONE COMPANY *v.* CHRISTIAN
COUNTY TELEPHONE COMPANY AND CENTRAL UNION
TELEPHONE COMPANY.

Case No. 8627.

Decided February 18, 1919.

**Complaint Alleging Failure to Interchange Messages, Dismissed as
Relief Sought Could be Obtained by Complainant by Complying
with Previous Order of Commission, and Agreeing upon
Terms of Connection.**

OPINION AND ORDER.

This complaint was filed on October 19, 1918. The Central Union Telephone Company filed an answer to the complaint on November 12, 1918. A hearing was held at Springfield on December 17, 1918, and there appeared on behalf of the complainant, *Leslie J. Taylor*, attorney; on behalf of the respondent the Central Union Telephone Company, *C. M. Rottger*, and on behalf of the respondent Christian County Telephone Company, its general manager.

* See Commission Leaflet No. 54, p. 21.

The evidence disclosed that the complainant and both the respondents are public utilities duly incorporated for the transaction of telephone business within the State of Illinois. The respondents moved that the complaint be dismissed for the reason, first that there was now pending before the Commission an application for a physical connection between the Assumption Telephone Company and the complainant by means of which the relief sought herein had already been granted to the complainant by an order* of this Commission, and a supplemental complaint filed to fix the terms of such connection because of the failure to agree upon such terms by the Assumption Mutual Telephone Company and the Assumption Telephone Company; and for the further reason that an order† of this Commission consolidating the Decatur Home Telephone Company and the Central Union Telephone Company's exchange at Decatur limited the right of independent companies connected with the Decatur Home Telephone Company to connections with points on independent lines only. This motion to dismiss was taken to be heard and determined with the case as a whole.

The evidence disclosed that the Assumption Telephone Company and the Assumption Mutual Telephone Company, complainant herein, are competing companies with exchanges at Assumption, Illinois; that the Assumption Telephone Company has physical connection with the toll lines of the Central Union Telephone Company, as does also the Christian County Telephone Company, at Decatur, Pana, and Taylorville and all the points involved in this complaint. It further appears that on August 19, 1915, the Commission ordered* a physical connection by means of trunk lines between the Assumption Mutual Telephone Company and the Assumption Telephone Company exchanges at Assumption, Illinois, and provided for the service of the Central Union Telephone Company's toll

* See Commission Leaflet No. 46, p. 1109.

† See Commission Leaflet No. 55, p. 384.

lines then connected with the Assumption Telephone Company's exchange at Assumption, and also provided for the expense of said connection to be paid by the Assumption Mutual Telephone Company, and did not fix the differential rates which would be required to properly and legally protect the Assumption Telephone Company in such physical connection.

It further appears from the evidence that these terms could not be agreed upon by the Assumption Telephone Company and the Assumption Mutual Telephone Company, in consequence of which the complainant herein filed a supplemental petition, which asked for a reconsideration of the case, and if denied, asked that these terms be fixed on the same basis as the terms of the physical connection of other companies with the Assumption Telephone Company had before been fixed at Assumption, Illinois, and to fix the terms and rates to be charged, etc.

This supplemental petition was heard February 16 and March 17, 1916, and the same is still pending under consideration. The order* for the physical connection and the service of the Central Union Telephone Company's toll lines, however, is still effective and affords the relief sought by this petition or complaint. The only thing remaining to accomplish the purposes of the Assumption Mutual Telephone Company is for the Commission to fix the rates or terms for said physical connection under said application.

It further appears from the evidence that on May 4, 1916, this Commission by this order† in Case No. 4462, authorized the sale of the Decatur Home Telephone Company's property at Decatur, Illinois, to the Central Union Telephone Company; that at the time of this sale the Assumption Mutual Telephone Company and the Christian County Telephone Company had connection with the toll lines of independent companies through the Decatur Home Telephone Company's exchange at Decatur, and this

* See Commission Leaflet No. 46, p. 1109.

† See Commission Leaflet No. 55, p. 384.

C. L. 88]

connection was properly protected by the order*, and the purchasing and consolidated company, the Central Union Telephone Company, was also protected by provision which required them to transmit through the consolidated exchange over independent lines radiating from Decatur all messages received from such companies as were so connected with the Decatur Home Telephone Company, and limited such requirement to messages destined to parties who could be reached by such independent toll lines as were connected with the purchased exchange.

The evidence fails to disclose any violations of this order*, and the only refusal to transmit messages through the exchanges of either of the respondent companies at Decatur, Pana, Taylorville, or elsewhere, appearing in this record, has not been shown to be a message which would terminate or proceed from such exchange over an independent company line.

The complainant has no physical connection with the Central Union Telephone Company's lines except through the Decatur Home Telephone Company, so far as this record discloses. The record fails to disclose any relations of the Assumption Mutual Telephone Company with the Christian County Telephone Company other than through the Decatur Home Telephone Company's lines, and it fails to show any requirement for the Christian County Telephone Company to transmit toll messages originating with the Assumption Mutual Telephone Company, the complainant, to any point not reached by an independent line, or to transmit the same over other than independent lines which may be physically connected at Pana, Taylorville, or elsewhere, with the Christian County Telephone Company's lines. If the order† of this Commission entered August 19, 1915, shall be complied with, and the terms thereof as to rates agreed upon or fixed by the Commission, access for messages originating with the Assumption Mutual Telephone Company will be had over

* See Commission Leaflet No. 55, p. 384.

† See Commission Leaflet No. 46, p. 1109.

all the lines of the Central Union Telephone Company and all independent lines radiating from Decatur, Pana, and Taylorville.

This petition would seem to be an abandonment of the case in which an order* was entered on August 19, 1915, and an abandonment of the supplemental petition heard and now pending in order to fix the terms of the physical connection therein ordered. It would be useless and unnecessarily expensive to order other physical connections, or to modify the order† made for the sale and purchase of the Decatur Home Telephone Company in its requirements. Especially is this true when all the relief sought by this petition can be obtained by compliance with the order* of August 19, 1915, and the fixing of the terms of the physical connection therein ordered.

The Commission having fully considered the evidence, exhibits and arguments of counsel, finds that the complaint and petition of the Assumption Mutual Telephone Company herein filed is without merit, and that the relief herein sought can be obtained by compliance with the order* of this Commission entered on August 19, 1915, and an agreement upon the terms thereof or the fixing of the same under the supplemental petition therein filed. The Commission further finds that the motion to dismiss made by the respondents for the reasons first above recited, should be sustained, and the petition or complaint herein dismissed.

It is, therefore, ordered by the Public Utilities Commission, That the complaint or petition of the Assumption Mutual Telephone Company versus the Christian County Telephone Company and the Central Union Telephone Company in Case No. 8627, be, and the same is hereby, dismissed.

By order of the Commission, at Springfield, Illinois, this eighteenth day of February, 1919.

* See Commission Leaflet No. 46, p. 1109.

† See Commission Leaflet No. 55, p. 384.

In re APPLICATION OF PEOPLES TELEPHONE COMPANY OF
CHILlicothe FOR AUTHORITY TO ISSUE BONDS.

Case No. 8878.

Decided February 19, 1919.

**Issue, by Domestic Corporation, of 6 Per Cent. First Mortgage Bonds
for Refunding Notes and Reimbursing Treasury, Authorized.**

Applicant, a domestic corporation, sought authority to issue \$10,000 of its 6 per cent. mortgage bonds. On October 24, 1917, the Commission had authorized* the applicant to execute a first mortgage to secure \$20,000 of 6 per cent. mortgage bonds, and had authorized the issuance and sale of \$10,000 of said bonds for refunding purposes. Since that time the Peoples company had expended for construction, extensions, improvements and additions to its facilities, \$10,814.90, and the moneys so expended had been obtained in part from the issuance of \$6,000, face value, of short term notes, and in part from moneys derived from income.

Held: That as the money to be secured by the issue and sale of \$10,000, par value, of 6 per cent. first mortgage gold bonds was reasonably required for the payment and discharge of the aforesaid \$6,000, face value, of short term notes issued by the petitioner, and for reimbursing its treasury for money expended from income, the issue should be approved.

OPINION AND ORDER.

Application having been made to the Public Utilities Commission of Illinois by the Peoples Telephone Company of Chillicothe for an order authorizing the issue by said company of its first mortgage 6 per cent. gold bonds in the aggregate amount of \$10,000, and a hearing having been held thereon, and the petitioner having presented its evidence, and the matter having been submitted to the Commission for disposition, it appears:

That heretofore, on October 24, 1917, the Commission entered an order in Case No. 7230* authorizing the Peoples Telephone Company of Chillicothe to execute a first mortgage or deed of trust, conveying its property to C. B. Zinser, trustee, to secure an issue of first mortgage 6 per cent. gold bonds not exceeding \$20,000, par value, and

* See Commission Leaflet No. 72, p. 1336.

authorized the issuance and sale of \$10,000 of said bonds for refunding purposes as set forth in said order.*

It further appears that the Peoples Telephone Company of Chillicothe has expended for the construction, extension or improvement of, and additions to its facilities, within the five years next prior to the date of the application herein, the sum of \$10,814.90, as set forth in Exhibit A attached to the application herein, and that the moneys so expended were obtained in part from the issuance of \$6,000, face value, of short term notes, and in part from moneys derived from income.

It further appears that the money to be secured by the issuance and sale of \$10,000, par value, of 6 per cent, first mortgage gold notes as hereinafter authorized, is reasonably required for the payment and discharge of the aforesaid \$6,000, face value, of short term notes issued by the petitioner, and for reimbursing its treasury for moneys expended from income, for the aforesaid purposes, and that none of said purposes is reasonably chargeable to from moneys derived from income.

The Commission having considered the evidence and being fully advised in the premises is of the opinion, and so finds, that the prayer of the petitioner should be granted.

It is, therefore, ordered, That the Peoples Telephone Company of Chillicothe be, and it is hereby, authorized to issue its first mortgage gold bonds in the aggregate amount of \$10,000, to be dated July 1, 1917, and maturing as follows: \$1,000 on July 1 of each of the years 1932, 1933, 1934, 1935 and 1936, \$5,000 on July 1, 1937, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and to be subject to the terms and conditions of its first mortgage or deed of trust dated July 1, 1917, to C. B. Zinser, trustee.

It is further ordered, That the authority to issue said bonds be, and the same is, granted upon the following conditions and not otherwise:

* See Commission Leaflet No. 72, p. 1336.

C. L. 88]

1. That the Peoples Telephone Company of Chillicothe shall sell the bonds herein authorized so as to net the company not less than the par value thereof, besides accrued interest thereon, and shall apply the proceeds thereof to the following purposes only:

(1) For the discharge of lawful refunding of promissory notes now outstanding, the proceeds of which were expended in the construction, improvement of, or additions to the company's facilities as set forth in Exhibit A of the application herein	\$6,000
(2) For the reimbursement of the treasury for moneys actually expended from income for construction, extensions, or improvement of, or additions to its facilities, as set forth in Exhibit A of the application herein.....	4,000
TOTAL	\$10,000

2. That the petitioner shall keep separate, true and accurate accounts covering the sale or disposition of the bonds herein authorized to be issued, and within sixty days from and after the date of this order, and every sixty days thereafter so long as may be necessary, said company shall file with this Commission a verified report, in duplicate, showing the sale or sales of said bonds during the preceding period, the moneys derived therefrom, and the use, application and disposition of said moneys, and said accounts shall be open to audit and may be audited from time to time by whatever accountants and examiners are appointed by the Commission for such purpose.

3. That the promissory notes of the face value of \$6,000 now outstanding, which are to be paid and discharged by the issue of bonds herein authorized, shall be returned to the treasury of the company and marked "paid and cancelled", and a certificate (in duplicate) showing such cancellation shall be filed with this Commission within five days after said notes have been discharged.

4. That the petitioner shall, before the issue and delivery of any of said bonds herein authorized to be issued, cause to be printed, stamped or engraved on the face of each

of said bonds for the proper and easy identification thereof, the following:

“PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 800.
February, 1919.”

It is further ordered, That the Peoples Telephone Company of Chillicothe be, and it is hereby, charged an amount equal to 10 cents for every \$100 of bonds herein authorized to be issued, said charge amounting to \$10.00, and the same shall be paid into the State Treasury before any of said bonds shall be issued.

By order of the Commission, at Springfield, Illinois, this nineteenth day of February, 1919.

In re APPLICATION OF MACON TELEPHONE COMPANY FOR
AUTHORITY TO ISSUE NOTES.

Case No. 8881.

Decided February 19, 1919.

Issue, by Domestic Corporation, of Promissory Notes to Renew Outstanding Short Term Notes, Authorized.

Applicant sought authority to issue its promissory notes in the aggregate amount of \$10,011.15 to refund outstanding short term notes.

On May 25, 1917, the Commission issued an order* authorizing the Macon Telephone Company to execute its first mortgage and to issue thereunder \$12,500, par value, of the bonds, and in addition thereto said company was authorized to issue its common capital stock of the amount of \$4,000 and its preferred stock to the amount of \$8,500, the proceeds of said securities to be applied to the acquisition of telephone plant, located at Macon and owned by F. C. Orton, and to the construction, extension, improvement of, and addition to, the facilities.

The proceeds from the sale of part of these securities were applied to the acquisition of the telephone plant as provided in said order,* and the company, owing to prevailing financial conditions, not being able to dispose of all the securities authorized, did, in order to provide moneys for the payment of the balance of the purchase price, and to provide moneys

* See Commission Leaflet No. 67, p. 53.

C. L. 88]

for construction, extensions, improvements or additions to its facilities, borrow the sum of \$10,011.15, evidenced by certain short term notes, and it was these notes that it now sought to refund.

Held: That the application of the company for the renewal and extension, for a period of five years, of the short term notes issued by it to provide for the payment of the balance of the purchase price and for construction, extensions, betterments and improvements of its plant, should be authorized.

OPINION AND ORDER.

Application having been made to the Public Utilities Commission of Illinois by the Macon Telephone Company for an order authorizing the issue by said company of its promissory notes in the aggregate amount of \$10,011.15 and a hearing having been held, and the petitioner having presented its evidence and the matter having been submitted to the Commission for disposition, it appears:

That heretofore, on May 28, 1917, the Commission entered an order in Case No. 6274* authorizing the Macon Telephone Company to execute its first mortgage and to issue thereunder \$12,500, par value, of bonds, and in addition thereto the said company was authorized to issue its common capital stock to the amount of \$4,000, par value, and its preferred capital stock to the amount of \$8,500, par value. The total amount of securities authorized to be issued under said order, amounting to \$25,000, was directed to be applied to the following purposes:

(1) For the acquisition of the telephone plant located in the village of Macon and vicinity owned by F. C. Orton, as described in detail in statement attached to the application and marked Exhibit A.....	\$18,000
(2) For the construction, extension or improvement of, or addition to, its facilities, as set forth in detail in the schedule of proposed expenditures attached to the application and marked Exhibit F.....	7,000
TOTAL	\$25,000

It further appears that owing to the prevailing financial conditions since the aforesaid order* was entered the com-

* See Commission Leaflet No. 67, p. 53.

pany has not been able to dispose of all of the securities authorized to be issued thereunder, there having been issued and sold up to June 30, 1918, common stock to the amount of \$2,700 and preferred stock to the amount of \$7,600, leaving unissued and unsold under said order* on June 30, 1918, \$1,300 of common stock, \$900 of preferred stock, and \$12,500 of first mortgage bonds.

It further appears that the proceeds from the sale of the stock as set forth above were applied to the acquisition of the telephone plant as provided in said order* and that the company, in order to provide moneys for the payment of the balance of the purchase price of said telephone plant, and to provide moneys for construction, extension or improvement of, or addition to, its facilities as contemplated, borrowed the sum of \$10,011.15, evidenced by certain short term notes, as set forth in detail in petitioner's application herein, and applied the proceeds thereof to the purchase for which securities in said Case No. 6274* were authorized.

It further appears that the company now desires the consent and approval of the Commission to the renewal and extension of said notes for an aggregate period not exceeding five years, and to apply a like amount of the proceeds derived from the sale of the securities authorized to be issued in Case No. 6274* to the payment of said notes as and when said securities are disposed of.

The Commission having considered the evidence, and being fully advised in the premises, is of the opinion, and so finds, that the application of the petitioner is reasonable and should be granted.

It is, therefore, ordered, That the Macon Telephone Company be, and it is hereby, authorized to issue its promissory notes in the aggregate amount of \$10,011.15, bearing interest at the rate of 6 per cent. per annum, and said company is further authorized to renew said notes from time to time for an aggregate period not exceeding five years from the date of this order.

* See Commission Leaflet No. 67, p. 53.

C. L. 88]

It is further ordered, That the authority to issue said notes be, and the same is, granted upon the following conditions and not otherwise:

1. That the Macon Telephone Company shall issue said notes in substitution of an equal amount of notes now outstanding, or sell said notes so as to net the company not less than the face amount thereof, and shall apply the proceeds therefrom to the payment of a like amount of short term notes now outstanding, as particularly set forth and described in petitioner's application.

2. That within thirty days from the date of this order the company shall file with this Commission a certificate (in duplicate) showing that the notes which are to be refunded by the issue herein authorized have been returned to the treasury of the company and marked "paid and cancelled".

3. That the petitioner shall, within thirty days from the date of this order, file with the Commission a detailed statement of all additions and betterments made to its telephone system from moneys obtained from the issue of its notes as aforesaid.

4. That the petitioner shall, before the issue and delivery of any notes herein authorized to be issued, cause to be printed, stamped and engraved on the face of each note, for the proper and easy identification thereof, the following:

"PUBLIC UTILITIES COMMISSION OF ILLINOIS.
AUTHORIZATION NO. 803.
February, 1919."

It is further ordered, That as and when any further sales of securities authorized in Case No. 6274* are made, the proceeds thereof shall be applied to the payment and discharge of the notes herein authorized to be issued, and a certificate (in duplicate) of the cancellation and payment of such notes shall be filed with this Commission within five days after the payment thereof.

* See Commission Leaflet No. 67, p. 53.

It is further ordered, That said Macon Telephone Company be, and it is hereby, charged an amount equal to 10 cents for every \$100 of promissory notes authorized by this order, said charge amounting to \$10.01, and the same shall be paid into the State Treasury before any of such notes shall be issued.

By order of the Commission at Springfield, Illinois, this nineteenth day of February, 1919.*

* In Cases Nos. 8882, 8883 and 8879, the Sullivan Home Telephone Company, the Sparland Telephone Company and the Niantic Telephone Company, respectively, were authorized to issue notes for an aggregate period of five years in each case to refund notes which had been issued where securities authorized by the Commission by previous orders could not be disposed of because of the prevailing financial conditions. For previous orders in the first two cases, see Commission Leaflet No. 75, p. 417, and Commission Leaflet No. 69, p. 468.

INDIANA.

Public Service Commission.

In re PETITION OF UNITED TELEPHONE COMPANY OF BLUFFTON FOR AUTHORITY TO ISSUE NOTES.

No. 3756.

Decided July 3, 1918.

Order Authorizing Issue of Notes Modified.

MODIFIED ORDER.

Comes now the petitioner, the United Telephone Company of Bluffton, Indiana, and prays the Commission for a modification of the order* made by this Commission on April 30, 1918, in the following respects:

1. That wherever reference is made in said order to certain notes as "held by the Central Union Telephone Company" said order be changed to read: "held by the Receivers of the Central Union Telephone Company"; for the reason that the evidence adduced before the Commission at the hearing showed that said notes are held by said Receivers.

2. That the following language be stricken from Paragraph 2 of the order, to-wit: "And that a profit on materials and work was included in the payments which they represent," (referring to notes held by the Receivers of the Central Union Telephone Company), for the reason that the evidence adduced at the hearing was not of such character to justify such finding by the Commission.

3. That the provisions of the order which require that in converting notes held by the Receivers of the Central Union Telephone Company, said notes shall be issued at not less than par, be changed so as to permit the petitioner to issue notes to be exchanged for notes now held by said Receivers for the best price obtainable, but at not less than 98 per cent. of the par value thereof; for the reason that said Receivers have notified petitioner that said Receivers are unwilling to surrender the demand notes now held by said Receivers and accept in exchange therefor notes due two years after date, at full par value of said two-year notes, and that said Receivers have stated the reasons of their unwillingness to make such exchange to be that by such an exchange they are asked to surrender an obligation the payment of which can be enforced at any

* See Commission Leaflet No. 79, p. 116.

[Ind.]

time, and to accept in lieu thereof obligations which will not become due until two years from the date thereof; also, that said notes represent the actual expenditure of money for labor and material to the full amount of the face thereof, and do not include profits on such labor and material; also, that the financial condition of said receivership requires said Receivers to use such notes as they may accept in exchange for notes now held by them to pay debts incurred by said Receivers in the conduct of their trust; also that on account of the condition of the money market it will be impossible for said Receivers to dispose of said notes at the full face value thereof, and that to require said Receivers to accept said proposed notes at par may make it necessary for said Receivers to apply to the courts under whose orders said Receivers are operating the property of said Central Union Telephone Company for leave to dispose of said notes at a discount; that it may be impossible to secure such order of the court, and that in any event, even if such order should be secured, said Receivers will be required to sustain a loss in connection with the disposition of said notes, and a consequent impairment of the assets in the hands of said Receivers, for which they are obliged to account to the courts by which they were appointed.

4. That permission be granted in said order to the petitioner to dispose of said entire issue of notes at not less than 98 per cent. of the par value thereof, so that petitioner may have the privilege of selling all of said notes to the public or to banking institutions, and thus not be required to reconvert the petitioner's notes now held by the Receivers of the Central Union Telephone Company, but may be enabled to pay said Receivers in cash the amount of the petitioner's debt to said Receivers, as represented by said notes.

With regard to petitioner's prayer in Paragraph 1, the same is granted, and the Commission's order* of April 30, 1918, is hereby modified to read in the place of "Central Union Telephone Company" appearing in the third line of the last paragraph of page 4 of the order "Receivers of the Central Union Telephone Company". The same modification is hereby and herein ordered in the sixteenth line on page 5 of the order* of April 30, 1918.

The petitioner prays the Commission to strike from Paragraph 3 of the order* any reference to the profit on materials and work included in the payments which they represent. Without regard to the actual facts to which reference is made by the Commission, it is the petitioner's

* See Commission Leaflet No. 79, p. 116.

C. L. 88]

contention that the record itself does not support the Commission's conclusion. On the other hand, the Commission is on safe ground in assuming a profit on work and material included in charges made by the Central Union Telephone Company, for which notes are now held by the Receivers of the Central Union Telephone Company, since there is no evidence to the contrary. The Commission's original conclusion should not be regarded as a determining factor in this cause. The petitioner's prayer, however, will be granted and the order will be modified in accordance therewith.

The petitioner seeks to exchange for notes, now held by the Receivers of the Central Union Telephone Company, new two-year notes to be accepted by the Receivers of the Central Union Telephone Company at not less than 98 per cent. of the par value thereof. The Commission's original order* of April 30, 1918, provided that the new two-year notes, amounting to \$149,967.94, should be accepted at par. The controlling reason for the Commission's original requirement that the new two-year notes be accepted by the Receivers of the Central Union Telephone Company at par consists in the fact that there is an intimate financial relationship between the petitioner and its creditor in this transaction. This Commission is reluctant to permit a discount in financial transactions between parent and subsidiary corporations. A bad precedent is involved. If the petitioner's prayer were granted, the Commission has no doubt that other public service corporations similarly organized and similarly inter-related, might justly claim the same privilege. But there would be no objection to such claims if they were right in principle, and after all it is the principle herein involved which the Commission believes to be wrong. In the Commission's opinion, it was created to prevent just such abuses that were patent to intercorporate relationships before the regulation of public service corporations became

* See Commission Leaflet No. 79, p. 116.

a fact. The petitioner's prayer contained in Paragraph 3 should be denied, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That an order of the Public Service Commission dated April 30, 1918, in the above-entitled cause, wherein certain notes are referred to in line 5 of the last paragraph on page 4 as "held by the Central Union Telephone Company" is hereby modified to read "held by the Receivers of the Central Union Telephone Company"; and that the fourth paragraph on page 5 of the order be, and the same is hereby, modified to read as follows:*

"It is further ordered, that in re-converting the notes held by the Receivers of the Central Union Telephone Company, aggregating \$149,967.94, and designated as 'Advances from System Corporations,' said notes shall be issued at not less than par."

It is further ordered, That the following language appearing in the first paragraph on page 5 be stricken from the order:

"and that a profit on materials and work was included in the payments which they represent."

It is further ordered, That except as above provided the Commission's order of April 30, 1918, shall stand as adopted on that date, the Commission declining otherwise to modify the same.*

July 3, 1918.

MODIFIED ORDER.

November 27, 1918.

On October 8, 1918, the above-named petitioner filed its supplemental petition and motion, in which it is stated that petitioner has been unable to dispose of the promissory notes heretofore authorized by this Commission on the terms set out in the original and modified orders.

* See Commission Leaflet No. 79, p. 116.

C. L. 88]

Petitioner asks that it be authorized to issue its two-year promissory notes drawing 8 per cent. interest, and to dispose of the same at par for the purposes and to the amount as set forth in the original order.

Said cause was set for hearing on October 17, 1918, at 10 o'clock A. M., at the rooms of the Commission. Notice of said hearing was given to the respective mayors of the cities of Montpelier, Hartford City, Marion, Huntington and Bluffton. *Mr. R. F. Davidson* appeared for petitioner. *Mr. Henry L. McAtee*, mayor of Hartford City, appeared for said city but made no objections to the modification of said order.

The notes heretofore authorized were to bear 6 per cent. interest. Petitioner showed that it had attempted to dispose of said notes but that it could not do so. Petitioner's witness testified that he did not believe said notes could be disposed of at par unless they provided for 8 per cent. interest.

The Commission is of the opinion that owing to the high cost of money due to war conditions that the former orders* of this Commission in this cause should be modified so as to authorize the issue of said notes drawing a rate of interest of 8 per cent. per annum, except such notes as are issued to refund the notes held by the Receivers of the Central Union Telephone Company, aggregating \$149,967.94, and that notes to refund said latter indebtedness should be authorized drawing 6 per cent. interest per annum, to be disposed of at not less than par.

It is, therefore, ordered, That the former orders* heretofore made in this cause be, and they are, so modified as to authorize petitioner to issue its promissory notes of the par value of \$149,967.94, payable in two years, drawing 6 per cent. interest per annum, for the purpose of refunding a like amount of notes held by the Receivers of the Central Union Telephone Company, said notes to be disposed of at not less than par, and to issue its promissory

* See Commission Leaflet No. 79, p. 116.

notes of the par value of \$200,032.06, drawing 8 per cent. interest per annum, due and payable two years from date of issue, and to dispose of the same at not less than par, for the purposes set forth in said former orders.

It is further ordered, That said former orders* shall remain in force except as herein modified.

November 27, 1918.

In re PETITION OF THE CITIZENS TELEPHONE COMPANY OF
KOKOMO FOR AUTHORITY TO ISSUE NOTES.

No. 3770.

Decided July 3, 1918.

Order Authorizing Issue of Notes Modified.

MODIFIED ORDER.

Comes now the petitioner the Citizens Telephone Company of Kokomo, Indiana, and prays the Commission for a modification of its order† dated April 30, 1918, in the following respects:

1. That wherever reference is made in said order‡ to "Central Union Telephone Company," said order be changed to read "Receivers of the Central Union Telephone Company," for the reason that the evidence adduced before the Commission at the hearing showed that the indebtedness referred to is owing to said Receivers.

2. That the following language be stricken from Paragraph 3 of the order,† to-wit, "on which they have already collected profit," (referring to indebtedness to the Receivers of the Central Union Telephone Company), for the reason that the evidence adduced at the hearing was not of such character to justify such finding by the Commission.

3. That the provisions of the order‡ which required that in issuing notes to the Receivers of the Central Union Telephone Company, said notes shall be issued at not less than par, be changed so as to permit the petitioner to issue said notes to said Receivers for the best price obtainable, but at not less than 98 per cent. of the par value thereof; for the

* See Commission Leaflet No. 79, p. 116 and *supra* p. 1263.

† See Commission Leaflet No. 79, p. 124.

C. L. 88]

reason that said Receivers have notified petitioner that said Receivers are unwilling to accept in payment of said indebtedness notes due two years after date, at the full par value of said two-year notes, and that said Receivers have stated the reason of their unwillingness to accept such notes to be that by such acceptance they are asked to accept in payment of said accounts obligations which will not become due until two years from the date thereof; also, that said indebtedness represents the actual expenditure of money for labor and material to the full amount thereof, and does not include profits on such labor and material; also, that the financial condition of said receivership requires said Receivers to use such notes as they may accept to pay debts incurred by said Receivers in the conduct of their trust; also that on account of the condition of the money market it will be impossible for said Receivers to dispose of said notes at the full face value thereof, and that to require said Receivers to accept said proposed notes at par may make it necessary for said Receivers to apply to the courts under whose orders said Receivers are operating the property of said Central Union Telephone Company for leave to dispose of said notes at a discount; that it may be impossible to secure such order of the court, and that in any event, even if at par, may make it necessary for said Receivers to apply to the courts under whose orders said Receivers are operating the property of said Central Union Telephone Company for leave to dispose of said notes at a discount; that it may be impossible to secure such order of the court, and that in any event, even if such order should be secured, said Receivers will be required to sustain a loss in connection with the disposition of said notes, and a consequent impairment of the assets in the hands of said Receivers, for which they are obliged to account to the courts by which they were appointed.

4. That permission be granted in said order* to the petitioner to dispose of said entire issue of notes at not less than 98 per cent. of the par value thereof, so that petitioner may have the privilege of selling all of said notes to the public or to banking institutions, and thus be enabled to pay said Receivers in cash the amount of the petitioner's debt to said Receivers.

The petitioner's prayer contained in Paragraph 1 of its motion to modify the order* of April 30, 1918, will be granted, and the order will be modified to conform to said prayer.

The petitioner's prayer contained in Paragraph 2 of its petition to modify the order* of April 30, 1918, will likewise be granted, and an order will be entered to this effect.

* See Commission Leaflet No. 79, p. 124.

With regard to petitioner's prayer in Paragraph 3 of its motion to modify the order* of April 30, 1918, the Commission is disposed to the same conclusions as those reached in the determination of a similar petition in Cause P. S. C. I. No. 3756.† The petitioner's prayer to issue new two-year 6 per cent. promissory notes to discharge obligations held by the Receivers of the Central Union Telephone Company will be denied. The Commission, however, is disposed to make an exception in the case of the account of the Western Electric Company, amounting to \$406.25, for the reason that a somewhat different relationship obtains between the Citizens Telephone Company of Kokomo and the Western Electric Company, on the one hand, and the Citizens Telephone Company and the Receivers of the Central Union Telephone Company on the other. The Western Electric Company occupies the position of an independent creditor which has no direct financial relationship with the petitioner in this cause. The Commission is of the opinion that the amount due the Western Electric Company, amounting to \$406.25, should be discharged by the issuance of 6 per cent. promissory notes payable two years after date, to be sold at a price not less than 98 per cent. of par, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Commission's order of April 30, 1918, in the above-entitled cause be modified to read as follows: "Receivers of Central Union Telephone Company" in place of "Central Union Telephone Company" wherever the latter appears in the order.*

It is further ordered, That the sentence at the top of page 5,

"accounts payable to them are for materials and services on which they have already collected profit"

shall be stricken from the order.

* See Commission Leaflet No. 79, p. 124.

† See Commission Leaflet No. 79, p. 116.

C. L. 88]

It is further ordered, That the words and phrases “ and supply ” in the twenty-eighth line of page 4 of the order*, and the words and phrases “ and the Western Electric Company ” on the next line, shall be stricken from the order.

It is further ordered, That the figures \$59,615.41, appearing in the sixth line of page 5 of the order*, shall be changed to read \$60,021.66, and that the words

“ an \$406.25 owing the Western Electric Company ”

be inserted after the word Kokomo in line 11, of page 5 of the order.

It is further ordered, That the figures \$59,615.41, appearing in line 16 and 20 of page 5 of the order* be changed to read \$59,978.34, and that the words and phrases “ and the Western Electric Company ” be stricken from line 19, page 5 of the order.

July 3, 1918.

MODIFIED ORDER.

September 27, 1918.

On August 2, 1918, the above-named petitioner filed its supplemental petition in the above-entitled cause as follows:

The Citizens Telephone Company respectfully shows to the Public Service Commission of Indiana, that it has not been able to dispose of and sell its notes in the sum of \$120,000 as authorized by your Commission made in P. S. C. I. No. 3770 in the original order* of April 30, 1918, and the modified order† entered on the third day of July, 1918, for the reason that the Receivers of the Central Union Telephone Company, who were appointed and acting under the authority of the court, have declined to take the notes authorized at par and the balance of the notes authorized to be sold cannot be sold on the market at the terms authorized, which amount to 7 per cent., for the reason that the rates of interest have greatly advanced and large numbers of first class notes and other securi-

* See Commission Leaflet No. 79, p. 124.

† See *supra*, p. 1268.

ties have been offered upon the market for from $7\frac{1}{2}$ per cent. to 8 per cent., including the obligations from some of the strongest industrial and commercial corporations of the country.

Your petitioner, therefore, prays that it be permitted to issue and market \$120,000 notes payable in two years from date, bearing interest at the rate of 8 per cent. per annum, without relief from valuation and with attorneys' fees, and to sell and dispose of the same at par, and with this petition makes the statement attached hereto.

Said matter was set for hearing at the rooms of the Commission on September 18, 1918, at ten o'clock A. M. Notice of the time and place of hearing was given to the petitioner, to the mayor and the city attorney at Kokomo, and to the editor of the Kokomo Tribune and the Kokomo Dispatch. No one appeared at said hearing except representatives of petitioner.

The Commission having heard the evidence finds that petitioner is unable to sell the said notes heretofore authorized because of the rate of interest provided for in said notes. Under the present conditions of the money market petitioner is unable to dispose of notes of said company which bear a less rate of interest than 8 per cent. per annum.

The prayer of the supplemental petition should be granted.

It is, therefore, ordered, That the original and modified orders* heretofore made in this cause be, and they are hereby, modified so as to authorize said petitioner to issue said \$120,000 of two-year promissory notes bearing 8 per cent. interest per annum, and to sell the same for not less than par, for the purposes set forth in said orders.

September 27, 1918.

* See Commission Leaflet No. 79, p. 124, and *supra*, p. 1268.

CHARLES W. KINNEY *et al.* v. FARMERS METROPOLITAN TELEPHONE COMPANY OF PALMYRA.

No. 4177.

Decided January 4, 1919.

Rates Put in Effect Without Consent of Commission Unlawful.

OPINION AND ORDER.

On the first day of October, 1918, Charles W. Kinney, Samuel S. Marshall, John K. Simpson, John S. Marshall, Delbert Link, Matt Martin, John M. Wire, John W. Worley, Harrison Voyles and Jasper W. Martin, filed a complaint with the Public Service Commission of Indiana, averring that they are farmers residing in the vicinity of Palmyra, Harrison County, Indiana, and that the Farmers Metropolitan Telephone Company, having its office and principal place of business in the town of Palmyra, is a public utility, engaged in the operation and maintenance of a telephone exchange plant and system in said town of Palmyra and the surrounding neighborhood; that said Farmers Metropolitan Telephone Company is charging unlawful, unjust, unreasonable and discriminatory rates against the above-named petitioners and other patrons; that without warrant or authority of law, said company has increased its rates, tolls and charges, in which the above-named petitioners are directly interested, without any warrant or authority whatever and against the laws of the State of Indiana.

Petitioners pray that the aforesaid Farmers Metropolitan Telephone Company be required to answer the charges herein and that, after due hearing and investigation, an order be made commanding the said company to desist and cease from said violation of the Act above-mentioned and referred to, and for such other and further order as to the Commission may seem necessary and just in the premises, and for such other relief as the Commission may deem proper.

On the twenty-sixth day of October, 1918, the Farmers Metropolitan Telephone Company of Palmyra filed an answer, setting forth that the Farmers Metropolitan Telephone Company is a small company, serving approximately 200 subscribers, that the ordinary patron pays \$1.00 per telephone, per month, as a rental charge, and to which rates petitioners are objecting as illegal and discriminatory. The stockholders pay 50 cents per telephone, per month, so the stockholders are actually paying more cash for their service than is paid by complainants, in addition to carrying a liability for the debt existing against their company of more than \$600, being more than half of the estimated value, to them, of the company's outfit. That this telephone company, through ignorance or inadvertence, failed directly to ask the Commission for permission to raise its rates, tolls and charges, when their financial condition made it imperative to do so, but had no intention of defying the law or ignoring the Commission.

Attached to the answer was a cross petition, asking authority to increase rates, tolls and charges, which cross petition will be dismissed without prejudice, for the reason that petitioner advanced its rates, tolls and charges without authority of law, and refused after notice to re-establish the legal rates, tolls and charges, [until] after the present case is disposed of.

Appearances: *John N. Weaters*, for petitioner; *Thomas J. Wilson*, of *Wilson and Wolf*, attorneys for Corydon, for defendants.

It appears that the Farmers Metropolitan Telephone Company owns and operates a small telephone exchange, plant and system, in and near the town of Palmyra, Harrison County, Indiana, and is serving approximately 200 subscribers. Said telephone company has about 54 stockholders, who own and maintain their telephone lines and instruments, and about 120 subscribers who own and maintain their telephone lines and instruments, and about 20 subscribers who neither own nor maintain their telephone lines or instruments.

C. L. 88]

It further appears that when this company was first organized, and commenced to render telephone service, it was more for social than for business purposes.

A small charge of 10 cents per month, per telephone, was established and was in effect for some time, then the rate was increased to 15 cents per month, per telephone, and so remained for some considerable time, when said rates were increased to 25 cents per month, per telephone, and which last named rate was in effect January 1, 1913.

It further appears that in the year 1915 said telephone company again increased its rates to 33 $\frac{1}{3}$ cents per month, per telephone, or \$4.00 per year, and again on or about January 1, 1918, it increased said rates to 50 cents per month, per telephone, or to \$6.00 per year. At the time the last increase was made, some of the users of the service protested to the proper officer of the company, and inquired as to whether the company had obtained the consent of the Public Service Commission of Indiana for such increases in rates. Later a complaint was made to the Commission regarding the increased rates, which matter was at once taken up with said telephone company, who made no effort to re-establish the legal rate which was in effect January 1, 1913.

It was unlawful for any public utility, operating in the State of Indiana, to increase the rates, tolls and charges that were in effect January 1, 1913, without the consent of the Public Service Commission of Indiana, and the Farmers Metropolitan Telephone Company of Palmyra, Indiana, having on two separate and distinct occasions since January 1, 1913, increased its rates, tolls and charges without first obtaining the consent of the Public Service Commission of Indiana; therefore, said rates, tolls and charges are unlawful.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Farmers Metropolitan Telephone Company of Palmyra, Indiana, shall immediately cease and desist from charging and collecting said unlawful rates, tolls and charges, and shall immediately establish

and put into effect, in lieu thereof, the legal rates, tolls and charges, that were in effect as of January 1, 1913.

It is further ordered by the Public Service Commission of Indiana, That the cross petition herein be, and the same is hereby, dismissed without prejudice.

January 4, 1919.

***In re APPLICATION OF PIKE COUNTY TELEPHONE COMPANY
AND RECEIVERS, CENTRAL UNION TELEPHONE COMPANY
FOR APPROVAL OF SALE AND PURCHASE OF CERTAIN
PROPERTY.***

No. 4318.

Decided January 17, 1919.

**Sale of Exchange Property to Competitor Authorized — Sale Price Held
Not to Represent Fair Value for Rate-Making Purposes —
Existing Toll Contracts Not to be Affected or
Impaired by Sale.**

The Receivers of the Central Union Telephone Company sought authority to purchase, and the Pike County Telephone Company sought authority to sell, for \$120,000, the telephone plant and system of the Pike County Telephone Company in Washington and in Daviess County which had formerly competed with the Central Union company there.

The sale of this property by the Pike County company had been duly authorized by the stockholders and directors as provided by law. The Pike County company owned and operated properties outside of Daviess County and against all of its property bonds were outstanding aggregating \$117,500. However, all the bondholders had consented in writing to the sale and transfer of the property located in Daviess County; furthermore the stockholders and directors and all the bondholders understood and agreed that the property located in Daviess County should be sold free of said bonds and the mortgage securing them and that the property remaining after the sale of the property in Daviess County would then be the property securing said mortgage and bonds, and that the proceeds of the sale of the property of the company in Daviess County should be used to pay the present floating indebtedness of the company consisting of notes and accounts in the aggregate sum of \$118,700.

The Receivers of the Central Union Telephone Company had been authorized and directed by proper orders of the Superior Court of Marion County, Indiana, and the Superior Court of Cook County, Illinois — courts having jurisdiction over the matters involved — to purchase this property of the Pike County company.

Held: That as the purchase of the property of the Pike County company by the Receivers would result in a unification of service in the city of Washington and surrounding territory whereby the public would be afforded more complete and satisfactory service and the patrons of the Pike County company would secure long distance and toll service which they had not heretofore enjoyed, and as hurtful competitive conditions would be removed and efficiency and economy would result, and as unified service would be rendered at the present rates — the sale of the property having no effect on existing rates — the sale should be authorized;

That the sale and transfer herein should be made without prejudice to the rights of any telephone company having connection with the parties hereto and the status of all toll contracts affected should remain unchanged and undisturbed;

That while the sum of \$120,000 was considered by the Commission a reasonable consideration for the sale, it should in no wise be accepted as the value for rate-making purposes, the value of such property for rate-making being a matter for future determination unaffected by these proceedings.

OPINION AND ORDER.

The Pike County Telephone Company and the Receivers, Central Union Telephone Company, each owns and operates a telephone plant and system in the city of Washington, Daviess County, Indiana, with lines running into rural districts.

Application is jointly made for the approval by the Commission of the sale and purchase by the Receivers, Central Union Telephone Company, of the telephone plant and property of Pike County Telephone Company at Washington, Indiana, and in Daviess County, Indiana.

After due notice to the parties in interest, officials, newspapers and commercial organizations of the city of Washington, the matter was heard at the rooms of the Commission on the seventeenth day of January, 1919.

The parties submitted the following bill of sale covering said transaction.*

It was shown by the evidence that the sale of said property by the Pike County Telephone Company had been duly authorized by the consent of more than three-fourths of the

* Bill of sale, which conveys physical property only, excluding any franchise, license, ordinance, or resolution rights, omitted.

stockholders of said Pike County Telephone Company and by the authority and consent of the directors of said corporation, all as provided by law.

It was further shown that the Pike County Telephone Company owned and operated telephone properties outside of Daviess County, Indiana, and that against all of the property of said Pike County Telephone Company bonds were outstanding aggregating \$117,500.

The Pike County Telephone Company submitted to the Commission the written consents of each and all of the bondholders of said company to the sale and transfer of the property of the company, located in Daviess County. It was further shown that all of the bondholders, excepting two, were stockholders of the Pike County Telephone Company, and all the stockholders and directors of the company, present in person or by proxy at the meeting hereinbefore mentioned, and all bondholders, understood and agreed that the property of the company, located in Daviess County, should be sold free of said bonds, and the mortgage securing them, and that the property of the company remaining after the sale of the property in Daviess County would then be property securing said mortgage and bonds.

It is further shown that all of the stockholders and directors present in person or by proxy at said meeting hereinbefore mentioned, and all of the bondholders of said company, understood and agreed that the proceeds of the sale of the property of the company in Daviess County, were to be used to pay and extinguish the present floating indebtedness of the company, consisting of notes and accounts in the aggregate sum of \$118,700.

It was further shown that the purchase of said property by the Receivers of the Central Union Telephone Company had been authorized and directed by proper orders of the Superior Court of Marion County, Indiana, and the Superior Court of Cook County, Illinois, courts having jurisdiction over the matters involved.

It appears that the purchase of the property of the Pike County Telephone Company by the Receivers of the Cen-

C. L. 88]

tral Union Telephone Company, will result in a unification of service in the city of Washington and surrounding territory; that the public will be afforded more complete and satisfactory service thereby; that the patrons of the Pike County Telephone Company will secure long distance and toll service, which heretofore they have not enjoyed; that hurtful competitive conditions will be removed, and efficiency and economy will result; that unified service will be rendered at the present rates, the sale of the property having no effect on existing rates.

The Commission, having heard the evidence and being well advised in the premises, finds that the prayer of the petition herein should be granted.

The Commission further finds that the sale and transfer herein should be made without prejudice to the rights of any telephone company now having connection with the parties hereto, and that the status of all toll contracts affected should remain unchanged and undisturbed.

The Commission further finds that the consideration for such sale, stipulated in the contract, to-wit, \$120,000, while approved by the Commission as a reasonable consideration for such sale, in no wise is to be accepted as the value of the property for rate-making purposes, the value of such property for rate-making being a matter for future determination unaffected by these proceedings.

It is, therefore, ordered by the Public Service Commission of Indiana, That the sale by the Pike County Telephone Company to the Receivers of the Central Union Telephone Company of the property of the Pike County Telephone Company, located in Daviess County, Indiana, and specifically described in the bill of sale heretofore set out, be, and the same is hereby, approved.

It is further ordered, That authority is hereby granted to complete said sale, conveyance and transfer of the property described in the bill of sale heretofore set out, in accordance with the terms thereof, and that authority be, and it is hereby, granted for the payment of the agreed consideration for the transfer of said property, to-wit, \$120,000, to be paid as follows: \$20,000 in cash, and the

balance of \$100,000 in five annual installments of \$20,000 each, due and payable on or before one, two, three, four and five years from the date of the transfer of said property, said deferred payments to be evidenced by promissory notes to be executed by the Receivers, Central Union Telephone Company, bearing interest at the rate of 6 per cent. per annum, payable semi-annually.

It is further ordered, That petitioners be, and they are hereby, given [such] authority as is properly necessary to consummate the purchase and sale herein described.

January 17, 1919.

In re ORDER ESTABLISHING RATES FOR GREENCASTLE LOCAL
PHOENIX TELEPHONE COMPANY.

No. 3274.

Decided February 21, 1919.

Increased Rates Cancelled at Request of Company and Former Rates Restored.

ORDER.

The petitioner asks that the rates provided in the original order* herein be set aside and cancelled and that its previous rates be restored.

Inasmuch as the original order* herein slightly increased the rates prior thereto, and the prayer of this petition is to cancel the increased rates, the Commission knows of no reason why this supplemental petition should not be granted.

The Commission finds, therefore, that the rates fixed in the original order* herein should be cancelled and set aside, and that the rates of petitioner on file with this Commission prior thereto, should be re-established, approved and ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the rates provided in the original

* See Commission Leaflet No. 78, p. 1404, and modified order printed in Commission Leaflet No. 79, p. 154.

C. L. 88]

order* herein be, and the same are hereby, set aside and cancelled, and that the rates of petitioner in existence at the time of the issuance of the original order* herein be, and the same are hereby, re-established, approved and ordered.

February 21, 1919.

In re PETITION OF THE FLORA TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

No. 4219.

Decided January 21, 1919.

**Increase in Business, Residence and Rural Rates Authorized — Allowance Made for Going Value and Working Capital — Allowance of 5 Per Cent. on Value of Depreciable Property Made for Reserve for Depreciation — Allowance of 7 Per Cent. Made for Return on Investment — Treatment of Depreciation Fund Outlined — Free Interchange of Service Ordered
Continued.**

Applicant sought authority to increase its rates for all classes of service since the present rates, on account of increased wages and the advance in the price of materials, were insufficient to pay operating and maintenance expenses, provide a sufficient allowance for reserve for depreciation and yield a proper return on the investment.

The Commission's engineers found that the fair value of the property, including \$2,000 for going value and \$500 for working capital, was \$40,457 and that the total value of the depreciable property, excluding land, materials and supplies, was \$36,222.

The Commission found further that operating expenses were \$9,361.64, and that allowing 5 per cent. on the depreciable value for reserve for depreciation and 7 per cent. on the total fair value for return on investment, it would be necessary to fix rates which would yield \$14,004.73.

Held: That as the present schedule of rates was inadequate and insufficient properly to maintain and operate the plant and system, applicant should be authorized to put the proposed increased rates in effect;

That applicant should allow a discount of 10 cents to subscribers who pay their accounts on or before the tenth day after the bill is rendered;

That applicant should continue to furnish free interchange of service

* See Commission Leaflet No. 78, p. 1404.

to the subscribers of the several neighboring telephone exchanges with which it had formerly been interchanging service free;

That applicant should pay into a depreciation fund the moneys provided for reserve for depreciation and this fund should be held separate and handled with proper accounting. From this fund there should be paid out all costs of meeting depreciation. Money accumulating in said fund should be invested, and if invested, such investment should be made in government or other high grade listed securities which would return to said fund not less than 4 per cent. interest per annum; or petitioner might borrow from this fund, for a period not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property — items properly chargeable to capital account — but in such event petitioner should pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum, and the money borrowed should be repaid in full within one year.

OPINION AND ORDER.

On the twenty-eighth day of October, 1918, the Flora Telephone Company of Flora, Indiana, filed a petition with the Public Service Commission of Indiana, and shows:

That it is a public utility operating under the laws of the State of Indiana; that its principal place of business is located in the town of Flora, Indiana; that it is a public utility engaged in the management and operation of a telephone system in Flora, Indiana, with lines radiating therefrom to the farming districts and territory adjacent thereto; that as such public utility it is subject to the provisions of the laws of Indiana; that on the first day of January, 1913, it had in effect the following schedule of rates, tolls and charges:

	<i>Per Month</i>
Residence 'phones.....	\$1 00
Business 'phones.....	1 00
Party 'phones.....	1 00
Party and business 'phones.....	1 00

That it applies to this Commission for authority to increase its rates and charges, for the reason that in the judgment of petitioner the present rates and charges are wholly inadequate and insufficient to maintain the system and to keep the same in a proper state of efficiency; that

C. L. 88]

on account of the increased wages for employees and the advanced price of material, to provide a sufficient revenue to set aside a depreciation fund and allow a proper income, it is necessary that the rates of petitioner be increased.

The petitioner prays that after due hearing and investigation, the Public Service Commission make an order granting the application herein, establishing such rates and charges as it may find to be equitable in the premises, including discontinued free service to the following telephone exchanges:

Rockfield Co-Operative Telephone Company..... Rockfield, Indiana.
Burrows Co-Operative Telephone Company..... Burrows, Indiana.
Yeoman Telephone Company..... Yeoman, Indiana.

Due and timely notices were issued and served upon the proper officials of said town, its newspapers, and the utility, that the matters contained in the petition would be heard at the rooms of the Commission, State House, Indianapolis, Indiana, December 23, 1918, at ten o'clock A. M.

Said petition came on for hearing and the evidence introduced by protestants did not object to an increase of rates. However, a strong opposition developed to any charge as a toll rate between the various exchanges connected with the Flora Telephone Company.

It appears that free service was granted by the Flora Telephone Company, to the subscribers of the following exchanges:

Cutler Co-Operative Telephone Company..... Cutler, Indiana.
Camden Co-Operative Telephone Company..... Camden, Indiana.
Deer Creek Co-Operative Telephone Company.... Deer Creek, Indiana.
Burlington Co-Operative Telephone Company..... Burlington, Indiana.
Rockfield Co-Operative Telephone Company..... Rockfield, Indiana.
Burrows Co-Operative Telephone Company..... Burrows, Indiana.
Yeoman Co-Operative Telephone Company..... Yeoman, Indiana.

The Commission ordered its auditing department to audit the books and accounts of said Flora Telephone Company. Said audit was made and the report filed with this Commission on November 29, 1918.

The engineering staff of the Commission was ordered to make an evaluation of the said Flora telephone plant and system. This was done and the report of said evaluation was filed with the Commission December 1, 1918.

The reports of the engineers and auditors show the following:

Estimated revenue for the year 1919 as based on actual ten months of 1918.....	\$12,615 00
Operating expense for the year 1914.....	\$8,184 25
Operating expense for the year 1915.....	8,945 03
Operating expense for the year 1916.....	8,290 33
Operating expense for the year 1917..	\$10,188 98
deducting	1,000 00
expended on account of sleet storm, which should be charged to capital account, leaving.....	9,188 98
Operating expense for the year 1918..	\$10,699 62
deducting	2,000 00
for construction of from 6 to 8 miles of line, which should be charged to capital account, leaving....	8,699 62
TOTAL OPERATING EXPENSE FOR FIVE YEARS..*	\$45,308 21
or average for one year.....	\$9,061 64
Plus estimated increase in wages.....	300 00
TOTAL	9,361 64
Gross or net income.....	\$3,253 36
Valuation by the Commission's engineers.....	\$37,957 00
Going value	2,000 00
Working capital.....	500 00
TOTAL	\$40,457 00
Valuation by the Commission's engineers.....	\$37,957 00
Less land	\$415 00
Less material and supplies.....	1,320 00
	1,735 00
TOTAL DEPRECIABLE PROPERTY.....	\$36,222 00

* An error is apparent.

ANNUAL REQUIREMENTS.

Estimated average operating expense for 1919.....	\$9,361 64
Five per cent. depreciation on \$36,222.....	1,811 10
<hr/>	
TOTAL OPERATING REQUIREMENTS.....	\$11,172 74
Seven per cent. return on \$40,457.....	2,831 99
<hr/>	
TOTAL	\$14,004 73
Estimated revenues based on 1918.....	12,615 00
<hr/>	
Apparent deficit	\$1,389 73

It further appears that the proposed schedule submitted, will produce additional revenue of approximately \$1,615.40.

It further appears that the schedule of rates, tolls and charges now in effect is inadequate and insufficient proper to maintain and operate said plant and system.

The cost of labor and material necessary in the construction of additions and improvements to utility property has greatly increased so that such additions and improvements at this time are faced with the necessity for carrying this enhanced investment permanently. However, the Commission is not unmindful of the fact that high prices of all materials, including labor, were due to the world war; now that the war is over, it can be expected that conditions will become normal and prices will seek a lower level. It is to be hoped that increased cost to the consumers of all utilities has reached its maximum, and that in the near future substantial reductions can be made.

The Public Service Commission of Indiana, having heard the evidence, and being fully advised in the premises, is of the opinion that a slight increase should be made in order properly to operate and maintain said plant, and to remove discriminations, and it will be so ordered.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Flora Telephone Company of Flora, Indiana, is hereby and herein authorized to file with

the Public Service Commission, the following schedule of rates, tolls and charges:

	<i>Per Month</i>
Independent business 'phone.....	\$1 35
Independent residence 'phone.....	1 25
Party residence-business 'phone.....	1 25
Party residence 'phone	1 20
Independent rural residence 'phone.....	1 30
Party rural business 'phone.....	1 30
Party rural residence 'phone.....	1 20
One-way service	75
Extension 'phone	75
Call bells	35
Party line special.....	75

It is further ordered, That the Flora Telephone Company of Flora, Indiana, allow a discount of 10 cents to subscribers who pay their accounts on or before the tenth day after the monthly bill is rendered.

It is further ordered, That the Flora Telephone Company of Flora, Indiana, continue to grant free service to the subscribers of the following telephone exchanges:

Cutler Co-Operative Telephone Company
 Camden Co-Operative Telephone Company
 Deer Creek Co-Operative Telephone Company
 Burlington Co-Operative Telephone Company
 Rockfield Co-Operative Telephone Company
 Burrows Co-Operative Telephone Company
 Yeoman Co-Operative Telephone Company

It is further ordered, That said Flora Telephone Company file on or before March 1, 1919, said schedule of rates, tolls and charges, same to be effective on and after said date or until further order of this Commission.

It is further ordered, That the Flora Telephone Company of Flora, Indiana, pay to the Treasurer of the State of Indiana, the sum of \$57.19, expense incurred for making a tentative valuation of said plant and system by the engineering department of this Commission, itemized as follows:

C. L. 88]

Appraisal as of December 1, 1918. Appraisal started December 2, 1918. Appraisal completed December 17, 1918.

Name	Days	Salary	Hotel	Railroad	
				Fare	Total
D. C. Pyke.....	10	\$50 00	\$3 15	\$4 04	\$57 19

It is further ordered, That said Flora Telephone Company pay to the Treasurer of the State of Indiana, an additional amount of \$48.12, expense of auditing the books of said plant and system by the auditing department of this Commission, as follows:

Fred E. Swain, accountant.....	\$25 85
L. D. Bledsoe, accountant.....	22 27
	<hr/>
	\$48 12

It is further ordered, That petitioner shall pay into a depreciation fund the moneys provided for depreciation, which fund shall be held separate and handled with proper accounting; that there shall be paid out of this fund all costs of meeting depreciation. Money accumulating in said fund should be invested, and if invested, such investment shall be made in government or other high grade listed securities which shall return to said fund not less than 4 per cent. interest per annum; or petitioner may borrow from this fund, for a period of not to exceed one year, money to cover not more than 75 per cent. of the cost of new construction, extensions or additions to the property—items properly chargeable to capital account—but, in such event, petitioner shall pledge to said fund its own note or bonds bearing interest at the rate of not less than 4 per cent. per annum. Such moneys so borrowed by petitioner shall be repaid in full within one year. In handling such fund petitioner will be held strictly responsible for its safe investment, proper administration and accounting. Said accounting shall be double entry with the asset account designated Depreciation Fund; the liability account shall be designated as Depreciation Reserve.

January 21, 1919.

In re PETITION OF THE SOUTHSIDE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

No. 4257.

Decided January 21, 1919.

Discrimination in Favor of Stockholders or Subscribers Owning Equipment, Eliminated,—Rental to be Paid by Telephone Company Where Telephone Owned by Subscriber, Fixed — Increase in Rural and Switching Rates Authorized.

OPINION AND ORDER.

On November 22, 1918, the Southside Telephone Company of Brown County, Indiana, filed a petition with the Public Service Commission of Indiana, which represents and shows:

That its principal place of business is located in the town of Christiansburg, Brown County, Indiana; that it is a public utility organized and engaged in the management and operation of a telephone system located in the southern part of Brown County and the northern part of Jackson County, Indiana; that as such public utility, it is subject to the laws of the State of Indiana, and that at the present time and since the operation of the Public Utility Law of Indiana, it has had in effect the following schedule of rates, tolls and charges:

Stockholders, (assessments varying each year)	
for the year 1918.....	\$5 00
Renters, per month.....	50

Switching Rates or Toll Charges:

Lockman Telephone Company, Freetown, Indiana, to each subscriber owning interest in line and paying part of maintenance, per year	2 00
Farmers Telephone Company, Waymansville, Indiana, to each subscriber, per year.....	2 00
Maumee Telephone Company, Maumee, Indiana	Free switching service
Daniel B. Eddy Telephone Company, Kirts, Indiana	Free switching service
Citizens Mutual Telephone Company, Freetown, Indiana	Free switching service

C. L. 88]

That it applies to this Commission for authority to increase its rates, for the reason that the present rates are insufficient properly to maintain and operate its system; and for authority to put into effect the following schedule of rates, tolls and charges:

Subscribers, per month..... \$0 75

Switching and Toll Rates between the Following Companies:

Lockman Telephone Company, to each subscriber, per year	5 00
Farmers Telephone Company, to each subscriber, per year	5 00
Maumee Telephone Company, toll charge.....	10
Citizens Mutual Telephone Company — Free switching service and no toll charge.	
Daniel B. Eddy Telephone Company — Free switching service and no toll charge.	

That it prays the Commission to make an order establishing the proposed rates and charges, or such rates and charges as it may find to be equitable in the premises.

Due and timely notices were issued and served upon the utility and other interested persons, that the matters contained in the petition would be heard at Columbus, Indiana, December 19, 1918.

Said petition came on for hearing, and the testimony disclosed the fact that said telephone company is operating its plant and system in the town of Christiansburg, Brown County, Indiana; that it was organized with a capital stock of \$2,000, there being issued and sold, 100 shares at the par value of \$20.00 per share, and that the present value of said plant and system is approximately \$2,000.

On account of the location of this telephone system, the sparsely located subscribers and unimproved highways, the expense of operating same is very great, and it is shown that the rates now in force are inadequate and insufficient properly to maintain and operate said telephone system.

It further appears that the total operating revenue for the year 1918 was \$227.40 and the operating expense for the same period was \$273.31, leaving a gross income of

\$4.09, which provides nothing for depreciation or return on investment.

Owing to the bookkeeping methods of said telephone company, it is impossible to separate the various items in order to determine what is a reasonable rate to operate and maintain said plant and system.

The Commission finds, in accordance with its previous rulings, that the practice of the Southside Telephone Company of charging a lower rate to its stockholders than to other subscribers, is in violation of Sections 112 and 113 of the Public Utility Law, which provides the same rate for stockholders and other subscribers, and a rental charge to be paid by the telephone company to any subscriber who owns and maintains his own instrument, such rental to be deducted from the bill of such subscriber.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Southside Telephone Company of Christiansburg, Brown County, Indiana, is hereby and herein authorized to file with the Commission, the following schedule of rates, tolls and charges:

All subscribers, per month.....	\$0 75
Rental charge to be paid any subscriber owning and maintaining his own instrument, per month.....	33 1/3

Switching and Toll Service:

Lockman Telephone Company, to each subscriber, per year	3 50
Farmers Telephone Company, to each subscriber, per year	3 50
Maumee Telephone Company, to each subscriber, toll charge	10
Daniel B. Eddy Telephone Company.....	Free service
Citizens Mutual Telephone Company.....	Free service

It is further ordered, That said Southside Telephone Company file with the Commission on or before March 1, 1919, said schedule of rates, tolls and charges, the same to be effective as of said date and thereafter or until further order of this Commission.

C. L. 88]

It is further ordered, That that part of petitioner's prayer, providing for a charge of \$5.00 per year for switching service to the Lockman Telephone Company and the Farmers Telephone Company, is hereby and herein denied.

January 21, 1919.

In re APPLICATION OF THE LAFAYETTE TELEPHONE COMPANY
AND RECEIVERS, CENTRAL UNION TELEPHONE COMPANY
FOR APPROVAL OF PURCHASE AND SALE OF CERTAIN TOLL
LINES.

No. 4345.

Decided January 22, 1919.

**Sale of Toll Lines Resulting in Unification of Service Authorized —
Sale Price Held Not to Represent Fair Value for Rate-
Making Purposes — Existing Toll Contracts Not to
be Affected or Impaired by Sale.**

On June 21, 1918, the Commission authorized the sale by the Receivers of the Central Union Telephone Company of their Lafayette local exchange property to the Lafayette Telephone Company. This resulted in a unification of the local telephone service in the city of Lafayette, but thereafter both the Lafayette company and the Receivers operated toll lines running out of Lafayette which resulted in unsatisfactory toll service. Therefore, the Lafayette Telephone Company sought authority to sell all of its toll lines to the Receivers for \$7,844.

Held: That the proposed sale would result in the unification of toll service at Lafayette which would be of convenience and benefit to the city, and authority should be granted to the companies to complete the sale in accordance with the bill of sale submitted to the Commission;

That the sum of \$7,844 while representing a reasonable value of the property sold for such purposes should not be accepted for rate-making purposes as the Commission had made no appraisal of this property;

That nothing in the sale or order should in any wise affect or impair any existing toll or long distance contracts between any connecting companies;

That the Lafayette Telephone Company should deliver to the trustees for the bondholders of said company an indemnifying bond satisfactory to said trustees, indemnifying the bondholders against any loss by reason of the sale of the property.

OPINION AND ORDER.

The petition herein is as follows:

"Comes now the Lafayette Telephone Company of the city of Lafayette, Indiana, an Indiana corporation:

And come also David R. Forgan, Edgar S. Bloom, Frank F. Fowle, and Edward H. Schmidt, and respectfully show to the Commission that they were duly appointed Receivers of the Central Union Telephone Company for the State of Indiana by orders of the Superior Court of Marion County, Indiana, entered February 2, 1914, and January 30, 1918, in a suit pending in said court, entitled, *William A. Read, et al. v. Central Union Telephone Company et al.*, said cause being No. 93684 in the records of said court, which appointments were made following an order entered January 31, 1914, by the Superior Court of Cook County, Illinois, in a suit between the same parties, pending in said court, making a general appointment of Receivers for said Central Union Telephone Company for the States of Illinois, Indiana and Ohio. Said Receivers are now duly qualified and are acting as such Receivers for the property and business of said company.

And said parties now present this, their joint petition, and respectfully show to the Commission as follows:

1. That the Lafayette Telephone Company has agreed to sell, and said Receivers have agreed to purchase, certain toll lines and toll circuits and other personal property and apparatus used in connection therewith, now owned by said Lafayette Telephone Company and located at said city of Lafayette, and in the vicinity thereof, all of which property is more particularly described in a bill of sale therefor, a copy of which bill of sale is filed herewith, marked Exhibit A.

2. That the sale of said property has been authorized by a resolution adopted by the directors and stockholders of said Lafayette Telephone Company, the holders of more than three-fourths of the outstanding capital stock of said corporation having consented thereto.

3. That the consideration agreed upon for the transfer of said property, to-wit, \$7,844, represents the fair and reasonable value thereof, and that the sale and transfer of the same as provided by said bill of sale will be for the best interests of the parties and of the patrons of said petitioners at said city of Lafayette and in the vicinity thereof.

Wherefore, the parties respectfully pray that an order be entered by the Commission, approving the sale, conveyance and transfer of said property at said city of Lafayette, Indiana, and vicinity, and authorizing the completion thereof in accordance with the terms of said bill of sale, and further authorizing the payment of the agreed consideration for the transfer of said property, to-wit, \$7,844 in cash, and granting such other and additional authority in the premises as to the Commission shall seem just and proper." (Signatures omitted.)

C. L. 88]

After due notice to the officials, commercial organizations and newspapers of the city of Lafayette, the case was heard at the rooms of the Commission, State House, Indianapolis, on the twentieth day of January, 1919.

The Commission, on June 21, 1918, in Case No. 3874, authorized the sale of the local exchange property of the Central Union Telephone Company at Lafayette to the Lafayette Telephone Company, resulting in a unification of a local telephone service in said city.

The Lafayette Telephone Company at that time retained the ownership and operation of a number of toll lines running out of Lafayette. The Central Union Telephone Company likewise operated toll lines out of Lafayette. This situation resulted in an unsatisfactory toll service in said city. A person putting in a long distance call, and later seeking to secure a report on such call, would have difficulty in determining from which exchange said call was being handled, and very unsatisfactory conditions prevailed.

In this petition the Lafayette Telephone Company seeks authority to sell all of its toll lines to the Receivers, Central Union Telephone Company, for a consideration of \$7,844.

This sale will result in a unification of toll service at Lafayette, which will be of convenience and benefit to said city.

The Commission, having heard the evidence and being well advised in the premises, finds that the sale, conveyance and transfer of the toll property, hereinafter set out, by the Lafayette Telephone Company to the Receivers, Central Union Telephone Company, should be approved; that authority should be granted to complete said sale in accordance with the bill of sale embodied in the appended order.

The Commission further finds that said sum of \$7,844, while representing the reasonable value of the property sold, for sale purposes, is not accepted for rate-making purposes. The Commission has made no appraisal of this

property, and said value of \$7,844 is not fixed or determined as being the reasonable value of said property for rate-making purposes.

The Commission further finds that nothing in this sale or order should, in any wise, affect or impair any existing toll or long distance contracts between any connecting companies, and that the contracts and status of all companies affected by these proceedings should not be impaired.

The Commission further finds that the Lafayette Telephone Company should deliver to the trustee for the bondholders of said company an indemnifying bond, satisfactory to said trustee, indemnifying the bondholders against any loss, by reason of the sale of the property herein described.

*It is, therefore, ordered by the Public Service Commission of Indiana, That the following bill of sale be, and the same is hereby, approved.**

It is further ordered by the Public Service Commission of Indiana, That the sale of the property above described by the Lafayette Telephone Company to Receivers, Central Union Telephone Company, be, and the same is hereby, authorized and approved, and authority is hereby given to complete said sale and to do and perform such other things as are properly necessary in the consummation of such transaction.

It is further ordered, That nothing in the sale hereby authorized, or in this order, shall, in any manner, affect any existing toll or long distance contracts, but that the rights of all companies hereby affected shall remain unimpaired.

It is further ordered, That the Lafayette Telephone Company, before the alienation of the property herein sold, shall deliver to the trustee for the bondholders of the

* Bill of sale omitted. It conveys physical property only, exclusive of franchise, license, ordinance or resolution rights, and provides that use or occupancy of poles and pole lines not sold shall be covered by a separate agreement, or standard form of pole license.

In re CHARGES PRESCRIBED BY POSTMASTER GENERAL. 1295
C. L. 88]

Lafayette Telephone Company an indemnifying bond, satisfactory to said trustee, indemnifying said bondholders against any loss occurring by reason of the sale of the property herein authorized to be sold.

January 22, 1919.

In re INSTALLATION AND MOVING CHARGES PRESCRIBED BY
POSTMASTER GENERAL.

No. 4421.

*Decided March 3, 1919.**

**Installation and Moving Charges and Toll Rates Prescribed by Orders
No. 2352 and No. 2495 of the Postmaster General, Disapproved
— Reparation of Moneys Collected Thereunder Ordered
— Approval of Installation and Moving Charges
Prescribed in Order No. 1931 of Post-
master General, Rescinded.**

OPINION AND ORDER.

Acting under the Presidential authority granted by Congress under a joint resolution of July 16, 1918, Albert S. Burleson, Postmaster General of the United States, on August 28, 1918, issued Order No. 1931†, which fixed certain charges for the installation and moving of telephones.

The country was then at war and there was a paramount necessity for the conservation of labor and material, and for unquestioning cooperation by the various state authorities with the Federal Government in all things which would contribute to the winning of the war.

The Public Service Commission of Indiana, desiring to render effectual cooperation in the prosecution of the war, issued its order No. 4233‡, which ordered the installation and moving charge, initiated by the Postmaster General under his Order No. 1931*, automatically filed as a part

* The Postmaster General has applied to the United States District Court for an injunction restraining the Commission from enforcing the terms of this order.

† See Commission Leaflet No. 86, p. 525, for copy of same.

‡ See Commission Leaflet No. 85, p. 378.

of the telephone rate schedules of all companies operating in the State of Indiana, thereby legalizing such rates.

With the cessation of hostilities on November 11, 1918, and the virtual ending of the war, the necessity for conserving labor and material was no longer impelling, there was no longer sufficient justification for the enforcement of arbitrary rates fixed by the Postmaster General purely for war purposes. On November 18, 1918, the Postmaster General issued Order No. 2352 modifying Order No. 1931, and fixed new and different installation and moving charges. Such rates have since been enforced by the various telephone companies of the State. Such rates provided by Burleson's Order No. 2352 have not been submitted to the Commission for approval as required by Section 45 of the Shively-Spencer Public Utility Act, nor are they on file with the Commission as required by Section 47 of the Shively-Spencer Public Utility Act. Therefore, they were illegal *ab initio* and are now illegal. The Commission finds that the collection of all charges for installation and moving of telephones or other charges, based on the rates sought to be initiated by the Postmaster General in his Order No. 2352, was and is illegal, that the collection thereof should be discontinued immediately, and that all telephone companies in Indiana should make full reparation of all monies collected under said Order No. 2352 proposed to become effective December 1, 1918.

The Commission further finds that the toll and other rates provided in Postmaster General Burleson's Order No. 2495*, effective January 21, 1919, were and are illegal

* On January 18, 1919, the United States District Court issued a temporary restraining order against the American Telephone and Telegraph Company, Indianapolis Telephone Company and Receivers, Central Union Telephone Company, restraining said companies from putting into effect as to intrastate messages the toll rates prescribed in Order No. 2495 of the Postmaster General until the petition for a preliminary injunction might be heard. On January 28, 1919, upon hearing, the temporary restraining order was dissolved and the bill of the Public Service Commission was dismissed. On February 21, 1919, the Circuit

C. L. 88]

and unenforceable, for the reason that said rates were new and different rates than those provided in the schedules of each and all the telephone companies doing business in Indiana on file with the Public Service Commission of Indiana, and were not submitted to the Commission for approval, but were arbitrarily ordered by the Postmaster General. The Commission finds, therefore, that all monies collected under said rates in excess or less than rates on file, were illegally collected, and that full and complete reparation and adjustment should be made by all of the telephone companies doing business in the State of Indiana with subscribers or persons who have paid said rates.

It is, therefore, ordered by the Public Service Commission of Indiana, That the order of this Commission in Cause No. 4233*, and the entire action by the Commission therein, be, and the same is hereby, rescinded, set aside, and held for naught.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to notify all telephone companies doing business in the State of Indiana, that each and all of the rates provided in Order No. 2352 and Order No. 2495† of the Postmaster General were and are illegal and unenforceable, and that the collection thereof should be discontinued immediately.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to notify all telephone companies doing business in the State of Indiana, that all rates provided in Postmaster General Burleson's Order No. 2352 and Order No. 2495†, were illegal *ab initio*, and are now illegal, that the collection of said rates in excess

Court of Marion County issued a temporary restraining order against the Receivers, Central Union Telephone Company, restraining them from putting into effect as to intrastate messages the toll rates prescribed in Order No. 2495 of the Postmaster General, and on the same date a similar order was entered against the Indianapolis Telephone Company.

* See Commission Leaflet No. 85, p. 378.

† See *infra*, p. 1296, for terms of this order.

of or less than rates on file with the Commission is a violation of law, and that all companies should make full and complete reparation of all excess charges and adjustments of all collections and charges made under each and all of said rates.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to call attention of all telephone companies doing business in the State of Indiana, to the following provision of Section 118 of the Shively-Spencer Public Utility Act:

“If any public utility shall violate any provision of this Act, * * * shall fail, neglect or refuse to obey any lawful requirement or order made by the Commission * * * for every such violation, failure or refusal, such public utility shall forfeit and pay into the treasury a sum not less than \$100 nor more than \$1,000, for each such offense. * * *”

March 3, 1919.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF THE WALNUT TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Docket No. 2322.

Decided February 8, 1919.

**Increase in Rates Authorized in View of Increased Operating and
Maintenance Expenses — Further Increase Authorized Upon
Establishment of Continuous Service.**

ORDER.

On the fifth day of February, 1919, the matter of the application of The Walnut Telephone Company for permission to make certain changes in its rates for telephone service at Walnut, Kansas, came on for hearing at Pittsburg, Kansas, due notice having been given of said hearing; and upon the taking of the testimony, the matter was taken under advisement.

And now on this eighth day of February, 1919, this matter comes duly on for order; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that, owing to increased operating and maintenance expenses, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates as hereinafter provided for.

It is, therefore, by the Commission ordered, That The Walnut Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after March 1, 1919, providing charges

of or less than rates on file with the Commission is a violation of law, and that all companies should make full and complete reparation of all excess charges and adjustments of all collections and charges made under each and all of said rates.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to call attention of all telephone companies doing business in the State of Indiana, to the following provision of Section 118 of the Shively-Spencer Public Utility Act:

"If any public utility shall violate any provision of this Act, * * * shall fail, neglect or refuse to obey any lawful requirement or order made by the Commission * * * for every such violation, failure or refusal, such public utility shall forfeit and pay into the treasury a sum not less than \$100 nor more than \$1,000, for each such offense. * * *"

March 3, 1919.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF THE WALNUT TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Docket No. 2322.

Decided February 8, 1919.

**Increase in Rates Authorized in View of Increased Operating and
Maintenance Expenses — Further Increase Authorized Upon
Establishment of Continuous Service.**

ORDER.

On the fifth day of February, 1919, the matter of the application of The Walnut Telephone Company for permission to make certain changes in its rates for telephone service at Walnut, Kansas, came on for hearing at Pittsburg, Kansas, due notice having been given of said hearing; and upon the taking of the testimony, the matter was taken under advisement.

And now on this eighth day of February, 1919, this matter comes duly on for order; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that, owing to increased operating and maintenance expenses, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates as hereinafter provided for.

It is, therefore, by the Commission ordered, That The Walnut Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after March 1, 1919, providing charges

for various classes of service furnished by it at and through its exchange at Walnut, Kansas, as follows, to-wit:

	<i>Per Month</i>
Individual line business telephone, metallic circuit.....	\$1 75
Individual line residence telephone.....	1 25
Party line residence telephone.....	1 00
Desk sets, extra, business and residence.....	25
Extension sets, extra, business.....	75
Extension sets, extra, residence.....	50

It is further by the Commission considered and ordered, That the petitioner be, and it is hereby, authorized and permitted to prepare and file for the approval of the Commission such collection rules as it may deem necessary for the proper conduct of its business.

February 8, 1919.

SUPPLEMENTARY ORDER.

On this third day of March, 1919, the matter of the application of The Walnut Telephone Company for a modification of the order heretofore made herein by the Commission on the eighth day of February, 1919, insofar as to permit a charge of \$2.00 per telephone, per month, for metallic circuit individual line business service, and it appearing that petitioner is desirous of installing continuous 24-hour service in compliance with the wishes of its subscribers, which service will materially increase operating expenses; and the Commission, being fully informed in the premises, finds that the prayer of petitioner should be granted.

It is, therefore, by the Commission ordered, That The Walnut Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates effective upon the installation of a 24-hour continuous service, providing a charge of \$2.00 per telephone, per month, for metallic circuit individual line business service.

March 3, 1919.

MICHIGAN.

Railroad Commission.

**LLOYD A. CARTWRIGHT *et al.* v. MICHIGAN STATE TELEPHONE
COMPANY AND VALLEY HOME TELEPHONE COMPANY.**

T-211.

Decided January 31, 1919.

**Establishment of Physical Connection for Toll Service Ordered —
Conditions Fixed.**

OPINION AND ORDER.

Complaint having been made to the Commission by Lloyd A. Cartwright and other citizens and telephone subscribers of Mayville, asking that physical connection be made between the toll lines of the Michigan State Telephone Company and the exchange lines of the Valley Home Telephone Company at Mayville, Michigan, and a hearing having been had thereon at which the complainants and said telephone companies were represented, and it having been made to appear to the Commission:

That such physical connection can reasonably be made between the lines of said companies at Mayville; that such connection will form a continuous line of communication and that public convenience and necessity will be subserved thereby;

That the said Michigan State Telephone Company does not now have or operate any exchange at Mayville and that the services of the Valley Home Telephone Company's exchange only will be employed in the originating and delivering of toll messages at Mayville employing such physical connection;

That the cost of making such physical connection is nominal only;

Therefore, in pursuance of the statute of the State of Michigan and the authority vested in the Commission,

It is hereby ordered,

1. That the one or more of the local toll lines of the Michigan State Telephone Company now in or adjacent to Mayville be physically connected with the exchange lines of the Valley Home Telephone Company at Mayville by connecting said toll lines with the exchange switchboard of the Valley Home Telephone Company.

2. That such physical connection be made and put into operation within thirty days from the date of this order by and at the expense of the Valley Home Telephone Company according to plans submitted to and approved by the Michigan State Telephone Company.

3. That the Valley Home Telephone Company shall have and retain 25 per cent. of all toll message charges for messages originating at the exchange of the Valley Home Telephone Company at Mayville and passing over the toll lines of the Michigan State Telephone Company not exceeding 10 cents on any one message, as its compensation for its service and the use of its facilities in originating and delivering messages passing over the toll lines of the Michigan State Telephone Company when originating or terminating at Mayville and performing all services required of it under the terms of this order.

4. The person originating a toll message shall have the right to determine the routing of such message where the toll lines or facilities of both companies are available.

5. The connection established hereunder shall be used for messages originating in or terminating in the Mayville exchange, and for no other messages.

6. Within fifteen days after the expiration of each calendar month, the Valley Home Telephone Company shall collect and pay over to the Michigan State Telephone Company all toll message charges less the commission herein specified for messages originating in said Mayville exchange and transmitted over the toll lines of the

Michigan State Telephone Company by means of such connection. Any message upon which the charge is reversed shall be deemed to have originated at the point where it actually terminates.

7. At all reasonable times the Michigan State Telephone Company shall have access to said Mayville exchange for the purpose of inspecting the lines, apparatus and other property used in transmitting messages over the Michigan State Telephone Company toll lines, and of inspecting the records of all transactions involving the use of such toll lines. Proper records of all such transactions shall be kept by the Valley Home Telephone Company.

8. In the handling of toll messages transmitted by means of such connection over the toll lines of the Michigan State Telephone Company, the Valley Home Telephone Company shall observe, and require its subscribers and other patrons to observe, the regular and usual operating rules and methods prescribed and observed by the Michigan State Telephone Company in the operation of its toll lines.

Dated at Lansing, Michigan, January 31, 1919.

MINNESOTA.

Railroad and Warehouse Commission.

In re APPLICATION OF CITY AND FARMERS TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Decided February 7, 1919.

Classification of Rates as Between Business and Residence and Individual and Party Line Services Authorized.

OPINION AND ORDER.

Pursuant to notice, hearing in the above matter was held at the village hall, Rushford, Minnesota, June 25, 1918.

The City and Farmers Telephone Company is a corporation, organized in 1908. It operates a local telephone exchange at Rushford, Minnesota, serving 208 village subscribers, and performs switching service for 401 rural stations on 22 rural circuits.

The present rates of the company are as follows:

	<i>Per Month</i>
Individual line business.....	\$1 00
Two-party line business.....	1 00
Individual line residence.....	1 00
Two-party line residence.....	1 00
Extension telephones	50
Rural switching	15

Prior to April 1, 1918, the stockholders in the company who were subscribers received residence telephone service at 50 cents per month, and business telephone service at 75 cents per month. Commencing April 1, 1918, these rates were discontinued and the rate of \$1.00 per month, which was the rate charged to non-stockholders, was charged to all subscribers within the village. The present rates are discriminatory in that the same rate is charged for individual and two-party line service. The petitioner

C. L. 88]

seeks authority to place in effect the following schedule of rates:

	<i>Per Month</i>
Individual line business.....	\$1 25
Individual line residence.....	1 00
Two-party line residence.....	75
Extension telephone	50
Rural switching	20

The company operates a magneto exchange and its outside construction is what would be termed a cable plant.

During 1915 the company constructed a one and one-half story brick building to be used as its telephone office. New central office equipment was installed at this time. The petitioner has furnished an inventory and valuation of their telephone property, together with exhibits covering the operating revenues and expenses, which has been checked by representatives of the Commission.

Upon consideration of the facts in this case, the Commission finds that the rates petitioned for are fair and reasonable rates and will not yield more than sufficient revenue to provide for the necessary operating expenses, depreciation, and a fair return upon the investment.

It is, therefore, ordered, That the City and Farmers Telephone Company be, and the same is hereby, permitted to place in effect, as of March 1, 1919, the following schedule of exchange rates for local telephone service and rural switching service at Rushford, Minnesota:

	<i>Per Month</i>
Individual line business.....	\$1 25
Individual line residence.....	1 00
Two-party line residence.....	75
Extension telephones	50
Rural switching	20

Dated at St. Paul, Minnesota, this seventh day of February, 1919.*

* On February 13, 1919, in *Re Wheaton Telephone Company*, the telephone company was authorized to classify its rates as between individual and party line service, both business and residence, the spread between one-party and two-party service to be 25 cents.

1306 MINNESOTA RAILROAD AND WAREHOUSE COMMISSION.

[Minn.]

In re APPLICATION OF MADELIA TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Decided February 10, 1919.

**Increase in Rates Authorized Subsequent to Substitution of Common
Battery System for Magneto System.**

OPINION AND ORDER.

Pursuant to notice, hearing in the above matter was held at the Commercial Club rooms, Madelia, Minnesota, on June 11, 1918.

The Madelia Telephone Company is a corporation, organized in 1903. It operates a local telephone exchange at Madelia, Minnesota, serving 314 city stations, 256 rural stations, and performs switching service for 40 rural stations. It has capital stock outstanding amounting to \$17,950, which is owned by 107 individuals, all of whom are residents of Madelia and vicinity.

The present rates of the company are as follows:

	<i>Per Month</i> <i>Gross</i>
Individual line business.....	\$2 25
Individual line residence.....	1 25
Rural multi-party (company owned).....	1 25
Rural switching, net.....	25

A discount of 25 cents is allowed on all gross rates if bill is paid on or before the tenth day of the month in which the service is rendered.

The petitioner seeks authority to place in effect the following schedule of rates:

	<i>Per Month</i> <i>Gross</i>
Individual line business.....	\$2 75
Individual line residence.....	1 75
Rural multi-party (company owned).....	1 75

A discount of 25 cents per month to be allowed if the bill is paid on or before the tenth day of the month in which the service is rendered.

During 1916 and 1917 the company practically reconstructed its entire telephone exchange, replacing the aerial wire with aerial cable, and converting its central office and

C. L. 88]

subscribers' equipment from magneto to common battery at a cost of \$6,659.07. The petitioner presented exhibits covering the cost of operation of the plant, together with an inventory and valuation of their entire property. The records of the company have been checked by the Commission's representatives.

The schedule petitioned for provides for an increase of 50 cents per telephone, per month. Upon consideration of the facts in the case the Commission finds that the rates petitioned for are unreasonable, but that an increase of 25 cents per month, per telephone, will result in a schedule of rates which are fair and reasonable, and which will yield sufficient revenue to provide for the necessary operating expenses, depreciation, and a fair return upon the investment.

It is, therefore, ordered, That the Madelia Telephone Company be, and the same is hereby, permitted to place in effect, as of March 1, 1919, the following schedule of exchange rates for local telephone service at Madelia, Minnesota:

	<i>Per Month Gross</i>
Individual line business.....	\$2 50
Individual line residence.....	1 50
Rural multi-party (company owned).....	1 50

A discount of 25 cents per month to be allowed if payment is made on or before the tenth day of the month in which the service is rendered.

Dated at St. Paul, Minnesota, this tenth day of February, 1919.

In re APPLICATION OF THE ZENITH TELEPHONE COMPANY FOR
PERMISSION TO INCREASE RATES.

Decided February 14, 1919.

**Increase in Business and Residence Rates Authorized — Emergency
Defined and Held to Exist.**

Applicant made an emergency application claiming that it was in need of immediate relief in order to carry on its business, and that the financial crisis was due to the abnormal conditions that existed during the past

[Ind.]

of or less than rates on file with the Commission is a violation of law, and that all companies should make full and complete reparation of all excess charges and adjustments of all collections and charges made under each and all of said rates.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to call attention of all telephone companies doing business in the State of Indiana, to the following provision of Section 118 of the Shively-Spencer Public Utility Act:

“If any public utility shall violate any provision of this Act, * * * shall fail, neglect or refuse to obey any lawful requirement or order made by the Commission * * * for every such violation, failure or refusal, such public utility shall forfeit and pay into the treasury a sum not less than \$100 nor more than \$1,000, for each such offense. * * *”

March 3, 1919.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF THE WALNUT TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Docket No. 2322.

Decided February 8, 1919.

**Increase in Rates Authorized in View of Increased Operating and
Maintenance Expenses — Further Increase Authorized Upon
Establishment of Continuous Service.**

ORDER.

On the fifth day of February, 1919, the matter of the application of The Walnut Telephone Company for permission to make certain changes in its rates for telephone service at Walnut, Kansas, came on for hearing at Pittsburg, Kansas, due notice having been given of said hearing; and upon the taking of the testimony, the matter was taken under advisement.

And now on this eighth day of February, 1919, this matter comes duly on for order; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that, owing to increased operating and maintenance expenses, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates as hereinafter provided for.

It is, therefore, by the Commission ordered, That The Walnut Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after March 1, 1919, providing charges

of or less than rates on file with the Commission is a violation of law, and that all companies should make full and complete reparation of all excess charges and adjustments of all collections and charges made under each and all of said rates.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to call attention of all telephone companies doing business in the State of Indiana, to the following provision of Section 118 of the Shively-Spencer Public Utility Act:

“If any public utility shall violate any provision of this Act, * * * shall fail, neglect or refuse to obey any lawful requirement or order made by the Commission * * * for every such violation, failure or refusal, such public utility shall forfeit and pay into the treasury a sum not less than \$100 nor more than \$1,000, for each such offense. * * *”

March 3, 1919.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF THE WALNUT TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Docket No. 2322.

Decided February 8, 1919.

**Increase in Rates Authorized in View of Increased Operating and
Maintenance Expenses — Further Increase Authorized Upon
Establishment of Continuous Service.**

ORDER.

On the fifth day of February, 1919, the matter of the application of The Walnut Telephone Company for permission to make certain changes in its rates for telephone service at Walnut, Kansas, came on for hearing at Pittsburg, Kansas, due notice having been given of said hearing; and upon the taking of the testimony, the matter was taken under advisement.

And now on this eighth day of February, 1919, this matter comes duly on for order; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that, owing to increased operating and maintenance expenses, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates as hereinafter provided for.

It is, therefore, by the Commission ordered, That The Walnut Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after March 1, 1919, providing charges

of or less than rates on file with the Commission is a violation of law, and that all companies should make full and complete reparation of all excess charges and adjustments of all collections and charges made under each and all of said rates.

It is further ordered, That the secretary of the Commission be, and he is hereby, directed to call attention of all telephone companies doing business in the State of Indiana. to the following provision of Section 118 of the Shively-Spencer Public Utility Act:

“If any public utility shall violate any provision of this Act, * * * shall fail, neglect or refuse to obey any lawful requirement or order made by the Commission * * * for every such violation, failure or refusal, such public utility shall forfeit and pay into the treasury a sum not less than \$100 nor more than \$1,000, for each such offense. * * *”

March 3, 1919.

KANSAS.

Public Utilities Commission.

In re APPLICATION OF THE WALNUT TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Docket No. 2322.

Decided February 8, 1919.

**Increase in Rates Authorized in View of Increased Operating and
Maintenance Expenses — Further Increase Authorized Upon
Establishment of Continuous Service.**

ORDER.

On the fifth day of February, 1919, the matter of the application of The Walnut Telephone Company for permission to make certain changes in its rates for telephone service at Walnut, Kansas, came on for hearing at Pittsburg, Kansas, due notice having been given of said hearing; and upon the taking of the testimony, the matter was taken under advisement.

And now on this eighth day of February, 1919, this matter comes duly on for order; and upon consideration of said application and the evidence introduced thereunder, and being duly advised in the premises, the Commission finds that, owing to increased operating and maintenance expenses, the petitioner, in order to be enabled to furnish reasonably efficient and sufficient service, should be authorized and permitted to file an amended schedule of rates as hereinafter provided for.

It is, therefore, by the Commission ordered, That The Walnut Telephone Company be, and it is hereby, authorized and permitted to file an amended schedule of rates, effective on and after March 1, 1919, providing charges

not kept proper records of its construction and maintenance accounts, it having been found that a large number of items properly chargeable to construction have been in the past charged to operating expenses. Certain adjustments of their records bring their book value to approximately \$30,712. The company furnished an incomplete inventory and valuation of the property, claiming a value of \$33,902.

From the information collected, a reconstruction cost new value of the property will probably reach the claimed book value of the company, but such a value depreciated in accordance with the condition of the plant would bring the depreciated or present value much lower than the claimed book value.

Inspection of the plant shows the property to be in very poor condition and that a very low standard of maintenance prevails. Under such conditions it is impossible for the company to furnish good telephone service.

The Commission finds that the rates applied for would yield an excessive return on the value of the property, and that under the present condition of the plant the present rates are all that the company can expect.

It is, therefore, ordered, That the application be denied and the case dismissed. The denial of this application does not preclude the company's making application for an increase in rates at such future date as it shall have placed its plant in good condition and shall furnish its subscribers with adequate telephone service.

Dated at St. Paul, Minnesota, this seventeenth day of February, 1919.

MISSOURI.

Public Service Commission.

In re APPLICATION OF BOONVILLE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Case No. 1726.

Decided February 11, 1919.

Establishment of Toll Rates in Lieu of Free Interchange of Service Authorized.

The Boonville Telephone Company sought to establish a toll rate of 10 cents per message of three minutes between its exchange and exchange points in Cooper and adjoining counties, such service having heretofore been furnished free of charge. Several of the applicant's connecting companies opposed the granting of the request.

The Commission found that the applicant had heretofore had net annual earnings available for interest and reserve for depreciation averaging about 9.3 per cent. on an investment assumed tentatively to be \$100,000; that if the proposed toll charge of 10 cents for the first three minutes were allowed, the estimated annual return would be increased from 9.3 per cent. to 13.4 per cent.; that the showing made by the applicant as to the value of its plant was not sufficient to warrant an increase of rates or an assessment of toll rates for the purpose of obtaining increased revenues although 13½ per cent. would not, *per se*, be considered excessive.

Held: That the free service being extended by the applicant was contrary to both the letter and the spirit of the Public Service Commission Law;

That the existing contracts for free service between exchanges were not binding as against the orders of the Commission where such contracts resulted in unreasonable and unduly discriminatory charges for service rendered, as in this case;

That the toll rates sought by the applicant were unreasonable under all of the circumstances in this case and should not be allowed;

That in the interest of better service by the elimination of unnecessary calls which were the natural result of free service, and because all should pay for service instead of some continuing to receive free service while others were thereby required to pay a greater price, a toll rate of 5 cents

for the first five minutes and 5 cents for each additional five minutes on messages between Boonville, Black Water, Bunceton, Pilot Grove, Prairie Home, Speed and Wooldridge would be reasonable and proper.

REPORT.

I.

THE ISSUE.

The Boonville Telephone Company filed with the Commission on August 1, 1918, its P. S. C. Mo. No. 3, Sheet 1, establishing a toll rate of 10 cents per message of three minutes between its exchange and exchange points in Cooper and adjoining counties, such service having heretofore been furnished free of charge, this rate to apply between Boonville and Blackwater, Bunceton, Pilot Grove, Prairie Home, Speed and Wooldridge.

On August 15, 1918, notice to the public and to subscribers was published in the local and county papers. Thereafter the Commission received protests against the granting of the rates from the Speed Telephone Company of Speed, Missouri, The Farmers Telephone Company of Prairie Home, Missouri, and from other telephone companies. The Commission, on August 28, 1918, issued its order suspending the effective date of the proposed rates for a period of one hundred and twenty days, to and including December 29, 1918, pending a hearing and decision upon the reasonableness and lawfulness of the proposed rates. On October 14, 1918, Supplemental Order No. 1 was issued authorizing the Commission to enter upon an investigation of rates for all services rendered, without limitation to the specific schedule filed by the Boonville Telephone Company. On December 20, 1918, the Commission issued its order further suspending the effective date of the proposed rates for a period of six months from December 29, 1918, to and including June 29, 1919.

On October 23, 1918, a public hearing was held by a member of the Commission at Boonville, Missouri. The Boonville Telephone Company, Blackwater Telephone

C. L. 88]

Company and the Pilot Grove Independent Telephone Company were all represented by counsel and requested that the schedule as filed be allowed. The Wooldridge Telephone Company, the Speed Telephone Company, The Farmers Telephone Company of Prairie Home, and the Prairie Home Switchboard Company were represented by counsel who opposed the granting of the request. A number of citizens of Boonville and other points appeared as the objectors.

Briefs were duly filed by applicant and protestants, and the case now comes on for decision on the record.

II.

THE FACTS.

1. General Description.

Boonville is the county seat of, and the largest town in, Cooper County, having a population of 4,252. It is the trading center for the 20,000 people living in the county.

The Southwestern Bell Telephone Company established an exchange in Boonville in 1884, and has continued to operate there since that time. During the year 1900, the Boonville Telephone Company began furnishing service at that place. The original owners of the Boonville Telephone Company sold their property to a Mr. Coulter, and in about the year 1913 the present Boonville Telephone Company purchased and consolidated both exchanges. Another telephone company then entered the field, constructed a plant and operated it for a short time, when it ceased to operate or was taken over, so that the present company has inherited contracts and arrangements made during previous years, under competitive conditions.

The Southwestern Bell Telephone Company owns the majority of the stock of the Boonville Telephone Company.

The Boonville Telephone Company, hereinafter called the company, operates an exchange in Boonville, and owns toll lines from Boonville to one-half the distance to Pilot Grove, Bunceton, Prairie Home, Wooldridge and part of

the way to Speed. There is some dispute about the ownership of the line to Wooldridge.

Boonville is also connected with Blackwater by a line principally owned by the Blackwater and Arrow Rock Telephone Company.

The portions of the toll lines connecting these several towns, not owned by the company, are owned by other companies operating in Blackwater, Pilot Grove, Bunceton, Prairie Home, Wooldridge and Speed respectively. The distance from Boonville to these towns varies from 8 to 13 miles. The company has about 1,000 subscribers at the Boonville exchange.

2. Present and Proposed Rates.

The rates as charged for service by the company are as follows:

	<i>Per Month</i>
Direct line, business.....	\$2 50
Direct line, residence.....	1 50
Rural:	
Company owns and maintains line and equipment.....	1 50
Switching service	50

The service is common battery, metallic line to the city subscribers.

Heretofore the service over the toll circuits has been free, except that the exchanges in the outlying towns have charged tolls to non-subscribers.

The company does not desire to make any alteration in its exchange rates as given above, but proposes to make a toll charge of 10 cents per message of three minutes between Boonville and the connecting exchanges at Blackwater, Bunceton, Pilot Grove, Prairie Home, Speed and Wooldridge.

3. Exhibits.

The company filed eleven exhibits containing copies of notice to the public of the proposed toll rates, maps show-

C. L. 88]

ing the lines in question over which the proposed charge is to be made, proposed toll rates, statement of receipts and expenditures, book value of the property, etc.

The protestants filed five exhibits as follows:

Exhibit 1. Contract between Boonville Telephone Company and The Farmers Telephone Company of Prairie Home.

Contract between The Farmers Telephone Company of Prairie Home and various other companies.

Exhibit 2. Contract between The Farmers Telephone Company of Prairie Home and the Bunceton Telephone Company.

Exhibit 3. Contract between The Farmers Telephone Company and Speed Telephone Company.

Exhibit 4. Contract between Boonville Telephone Company and the Wooldridge Telephone Company.

Exhibit 5. Contract between Boonville Telephone Company and the Westwood Telephone Company.

4. *Investment.*

It appears from the testimony that the company has about \$100,000 invested in the Boonville exchange and toll lines, which represents about \$87.00 per subscriber for the value of the Boonville exchange after making allowance for the value of the toll lines. No inventory has been prepared and the figure \$100,000 represents the book value.

Without at this time coming to any conclusion as to the value of the plant for rate-making purposes, we will assume a tentative value of \$100,000 in determining the effect of the toll rates when combined with the exchange rates of the company. It is found desirable to assume a tentative value because it would be unfair to delay adjudication of this case for such period of time as would, under existing conditions, be necessary to allow of a valuation and audit by the experts of the Commission.

5. *Revenue, Expenses and Earnings.*

The revenue, expenses and earnings of the company as deducted from applicant's Exhibit 9 are as follows:

(a) For the twenty-six months ending April 30, 1918:

Operating revenue	\$45,655 48	
Net non-operating revenue.....	167 59	
		<hr/>
TOTAL REVENUE.....		\$45,823 07
		<hr/>
Operating expenses	\$23,910 27	
Taxes and bad accounts.....	1,802 21	\$25,712 48
		<hr/>
Balance available for twenty-six months for interest and depreciation reserve.....		\$20,110 59

(b) For four months ending April 30, 1918:

Operating revenue	\$7,232 82	
Net non-operating revenue.....	61 48	
		<hr/>
TOTAL REVENUE.....		\$7,294 30
		<hr/>
Operating expenses	\$3,886 71	
Taxes and bad accounts.....	236 00	\$4,122 71
		<hr/>
Balance available for four months interest and depreciation reserve		\$3,171 59

It appears from the above that, on a tentative valuation of \$100,000, the company has had available for interest and depreciation reserve charges, an average of 9.3 per cent. per annum for the twenty-six months ending April 30, 1918, and at the rate of 9.5 per cent. per annum for the four months ending April 30, 1918.

The estimated additional revenue from the proposed toll charges on lines now giving free service is \$3,870 per annum, which, added to the present revenue from exchange rates, would result in an annual return of about 13.4 per cent. available for interest and depreciation reserve charges on a tentative investment of \$100,000.

6. Testimony as to Service and Toll Charges.

According to a check made by the company for a period of four days, about 21,500 free messages are handled per

C. L. 88]

annum. It is estimated that if a toll charge were made the messages would be reduced to about 30 per cent. of this number.

The manager and operator of the telephone company at Blackwater claimed that the toll charges were necessary to secure additional revenue required. James Thompson, manager of the Pilot Grove Independent Telephone Company was of the same opinion, and stated that the two circuits between his exchange and Boonville were now overcrowded on account of the free business.

Mr. J. R. Hirsh, a witness for the protestants, testified that he is engaged in the wholesale grocery business in Boonville; that his firm has three telephones, paying therefor \$2.50 per month each, the regular business rate as charged by the company. His testimony in part is as follows:

"I am not opposed to paying an additional revenue for our 'phones. We have three 'phones in our house and we pay \$2.50 apiece. If necessary I would be willing to pay \$5.00. We wouldn't pay any toll anyhow. We have agreed a couple of years ago to cut out paying reverse charges and it wouldn't cost us a cent, but I would rather pay a stipulated price for our 'phone charge than to have the nuisance of a toll system to nearby points.

In the first place, they have been so used to it for so many years, they call us up on one little pretext or another. We don't have a great many calls to nearby points, but it isn't as a rule worth anything. It is just for information more generally than anything else."

Herman Zuzak, a merchant in Boonville, testified that the company had promised to continue free service if allowed to increase its rates for service and consolidate the exchanges, the rates to be raised from \$2.00, direct line business, to \$2.50 per month, and the residence from \$1.00 to \$1.50 per month. The Boonville Telephone Company explained that Mr. Coulter, the former owner of the company, changed from a grounded service to a common battery service, at which time he circulated a petition providing for increased rates, and that no change in rate was made when the Boonville Telephone Company and the South-

western Bell Telephone Company consolidated. Exhibit No. 11 was at this point introduced. The witness Herman Zuzak further states that he was the advertising man for the Boonville National Bank, and that they get the market reports from St. Louis each morning and give these reports out all over the county free of charge. He suggested that the company limit the free toll messages to three minutes' conversation. He also stated that they now have service with 1,000 subscribers in Boonville and 3,000 more in Bunceton, Pilot Grove and surrounding country; that he favored an increase in exchange rather than eliminating the free tolls; that in his opinion three-fourths of the subscribers would agree to this, and that it would make an increase of about \$50.00 per month in his toll business if the free service were discontinued.

Mr. Fred Renshaw, local manager for Armour and Company, testified to the effect that he would prefer an increase in exchange rates if increased revenue were found necessary. Other witnesses testified along the same line. The officers of the protestant companies testified regarding their contracts, and were of the opinion that they would not have been able to build up and maintain their telephone systems without this free Boonville service, and insisted that the terms of their contracts be carried out. Mr. Henry Fricke, living near Prairie Home, is the president of the "Switchboard." They in turn have a contract with The Farmers Telephone Company of that place, giving them free service over their lines, including Boonville. He stated that in 1905 they had paid \$2.20 per subscriber for that privilege, of which amount \$1.20 went to the Farmers company and \$1.00 to the Jamestown Telephone Company; that they had been given this free service for fifteen years and would object to being charged for it.

Mr. Chas. Draechsel, president of the Westwood Telephone Company, identified their contract as Exhibit No. 5, which was explained by the Boonville Telephone Company as being a contract for switching service only, and so proved to be.

C. L. 88]

While the record in this case does not fully indicate the comparative use of the free service by the various subscribers, we have exhibits on file with this Commission covering free service in the city of Cape Girardeau, a county seat where free service is given to the adjoining exchange at Jackson, twelve miles away, the conditions being similar to those existing at Boonville. Records covering a period of one month of the free calls from the Cape Girardeau exchange gave the following results:

Total number of stations, 1358.

<i>Subscribers</i>	<i>Number of Messages per Month</i>
372	None
212	1
132	2
82	3
64	4
59	5
147	Between 5 and 10
138	Between 10 and 20
72	Between 20 and 30
39	Between 30 and 40
21	Between 40 and 50
6	Between 50 and 60
3	Between 60 and 70
5	Between 70 and 80
1	Between 80 and 90
1	Between 90 and 100
2	Between 100 and 110
2	Between 110 and 200

It appears that out of a total of 1,358 subscribers six of them used the free service for a greater number of messages than did 721, or about one-half of all the subscribers, and over 30 per cent. did not use it at all. A few received practically all of the benefit.

Some of the objectors would prefer to have the rates for exchange service increased rather than have the free service cut off, if it should be found necessary to increase the revenue, giving as a reason that a better and quicker service could be given by the present method; that they

did not wish to be bothered with toll bills, and that it would meet with the approval of most of the subscribers.

III.

RIGHT TO GIVE FREE SERVICE.

The free service now being extended by the company is contrary to both the letter and spirit of the Public Service Commission Law.

That law forbids discrimination, and does not allow undue and unreasonable preferences to be given by public service companies, either as between the persons or the localities served by them. The inhibitions against discrimination, or the granting of undue preferences, or the rendering of free service by a telephone company, are set out in Paragraphs 2 and 3 of Section 87, and Paragraph 3 of Section 88, of the Public Service Commission Law. The company must furnish service adequate and reasonable in character to all who apply, at rates not greater than are just and reasonable; and as a corollary to this, all who receive service must pay therefor a just and reasonable compensation.

This Commission has many times expressed its disapproval of the inequalities arising from contracts containing provisions for free service or for service at special, reduced, and unequal rates. This was in the main the subject of the report in *Knott et al. v. Southwestern Telegraph and Telephone Company**, 2 Mo. P. S. C. 563, and the subjects of free service, discrimination in service, and the like, are there fully discussed. The prior rulings of this Commission and the rulings of other commissions in like cases are given and the decisions of the courts of last resort of this State and of many other states are cited, holding that discriminations and undue preferences by public service companies between localities or patrons are indefensible. The conclusions formulated and expressed in the *Knott Case** and in cases there cited have been

* See Commission Leaflet No. 46, p. 1186.

C. L. 88]

adhered to by this Commission in all subsequent cases involving like issues, and are declaratory of the policy of all public service commissions on the subject now under consideration.

IV.

INVIOABILITY OF CONTRACTS.

The contracts invoked in this case as providing for free service by the company in certain localities cannot be sustained either upon the requirements of a sound public policy or upon legal authority. They are of a class invalid at common law, as is clearly pointed out in the report in the *Knott Case, supra*.^{*} The decisions there cited established the principle that contracts for free service to be rendered by a public service company are invalid and unenforceable. This was so under the common law, and before and irrespective of the passage of the Public Service Commission Law.

The reservation of rights under contracts made before the passage of the law, mentioned in Paragraph 4 of Section 87, has no reference to contracts which were not good at common law. It could give no life to a void contract. The beneficiary under a contract for free service, or for service at a special or reduced rate, receives a favor at the expense of others. That is the underlying reason for the fixing of uniform rates by the State through a rate-making body. There should be, under like conditions, uniformity and equality of service, accompanied by uniformity and equality of compensation. The general want of binding authority of contracts attempting to fix rates has been defined and determined beyond controversy by the Supreme Court of Missouri in the recent cases of *State ex rel. City of Sedalia v. Public Service Commission*, 204 S. W. 497; *City of Fulton v. Public Service Commission*, 204 S. W. 386, and *Kansas City Bolt and Nut Company v. Kansas City Light and Power Company*, 204 S. W. 1074. It was held that such contracts cannot bind or abridge the exer-

^{*} See Commission Leaflet No. 46, p. 1186.

cise of the police power of the State. That power, when exercised, should be directed toward the attainment of equality, and in the interest of the public. The power of the State to abrogate an unequal rate contract made by a public service company rests upon the inherent right of the public to require of the company adequate and efficient service at equal and reasonable rates.

V.

CONCLUSIONS.

After fully considering all of the evidence in this case, the Commission finds as follows:

1. That the Boonville Telephone Company has heretofore had net annual earnings, available for interest and depreciation reserve charges, averaging about 9.3 per cent. on an investment assumed tentatively to be \$100,000.

2. That if the proposed toll charge of 10 cents for the first three minutes be allowed, the estimated annual return as above would be increased from 9.3 per cent. to 13.4 per cent.; and that the showing made by the company as to the value of the plant is not sufficient to warrant an increase of rates or an assessment of toll rates for the purpose of obtaining increased revenue, although 13½ per cent. would not, *per se*, by this Commission be considered excessive.

3. That existing contracts for free service between exchanges are not binding as against the orders of this Commission, where such contracts result in unreasonable and unduly discriminatory charges for service rendered, and that free service between exchanges in this case would result in discrimination and undue preference.

4. That the toll rates as filed by the Boonville Telephone Company are unreasonable under all of the circumstances in this case and should not be allowed.

5. That in the interest of better service, by the elimination of unnecessary calls, which are the natural result of free service, and because all should pay for service received rather than some continue to receive free service while others are thereby required to pay at a greater price, it is

C. L. 88]

desirable to place a toll rate on the lines connecting the various exchanges; and that with due consideration for the equities involved in the contracts for free service, the Commission finds that a toll rate of 5 cents for the first five minutes, and an additional charge of 5 cents for each additional five minutes, would be reasonable and proper in this case.

An order will be entered in conformity with the views herein expressed.

ORDER.

The Commission on August 28, 1918, and again on December 20, 1918, having entered its orders suspending the effective date of the schedule of the Boonville Telephone Company, known as its P. S. C. Mo. No. 3, Sheet 1, establishing a toll rate of 10 cents per message of three minutes between its exchange and exchange points in Cooper and adjoining counties, such service having heretofore been furnished free of charge, and a full investigation of the matters and things involved having been had, and the Commission on the date hereof having made and filed its report containing its findings of fact and conclusions thereon, which report is hereby expressly referred to and made a part hereof;

Now, upon the evidence in this case, and after due deliberation,

It is ordered, 1. That the schedule of rates filed by the Boonville Telephone Company, known as its P. S. C. Mo. No. 3, Sheet 1, establishing a toll rate of 10 cents per message of three minutes between its exchange and exchange points in Cooper and adjoining counties, shall be cancelled and withdrawn from the files of the Commission.

Ordered, 2. That the Boonville Telephone Company be, and is hereby, permitted to file with this Commission a schedule of rates, effective March 1, 1919, providing for a toll rate of 5 cents per message of five minutes and 5 cents for each additional five minutes for the service between the Boonville exchange and the exchanges in Blackwater,

Bunceton, Pilot Grove, Prairie Home, Speed, and Wooldridge.

Ordered, 3. That this order shall be in full force and effect on and after March 1, 1919.

Ordered, 4. That the secretary shall forthwith serve a certified copy of this order upon J. W. Gleed; W. W. Kingsbury, president, Boonville Telephone Company; the honorable mayor of Boonville, Missouri; Honorable Roy D. Williams for Blackwater Telephone Company, Bunceton Telephone Company and the Pilot Grove Independent Telephone Company; Mr. Gill Jewett, president Wooldridge Telephone Company, Wooldridge, Missouri; Honorable W. G. Pendleton for the Wooldridge Telephone Company, The Farmers Telephone Company of Prairie Home, Missouri, and Prairie Home Switchboard Company; Mrs. S. H. Hann, Boonville, Missouri; Mr. H. E. Puset, Boonville, Missouri; Mrs. S. L. Rankin, Boonville, Missouri; Mr. Grover H. Moore, Speed, Missouri; Mr. A. D. Howard, Boonville, Missouri; and upon the Honorable A. S. Burleson, Postmaster General, and that said Boonville Telephone Company, on or before the twenty-fifth day of February, 1919, shall notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law whether the terms of this order are accepted and will be obeyed.

February 11, 1919.

In re APPLICATION OF G. M. PHILLIPS TO SELL, AND FARMERS TELEPHONE COMPANY TO BUY, THE BARNETT TELEPHONE COMPANY'S PLANT AT BARNETT.

Case No. 1959.

Decided February 20, 1919.

Sale of Telephone Plant, Together with all Franchises, Rights and Permits in Connection Therewith, Authorized.

ORDER.

Application having been made to the Public Service Commission, under the provisions of the Public Service Com-

C. L. 88]

mission Law, by G. M. Phillips to sell, and the Farmers Telephone Company, composed of J. F. McDow, W. A. Houston and Josiah Goodman, to buy, the Barnett Telephone Company's plant at Barnett, Missouri, and,

It appearing to the Commission that a public hearing upon said application is not necessary to be had, and that the order prayed for is necessary and proper to be made,

Now, after due deliberation,

It is ordered, 1. That the consent of the Commission be, and the same is hereby, given to the sale, transfer and assignment by said G. M. Phillips, and to the purchase, ownership and operation by the said Farmers Telephone Company, composed of J. F. McDow, W. A. Houston and Josiah Goodman, of the Barnett Telephone Company's plant at Barnett, Missouri, together with all franchises, rights and permits held in connection with the ownership and operation of said telephone exchange and system, and together also with all poles, wires, switchboards and all other equipment and machinery to said telephone exchange and system belonging and appertaining, for the sum of \$6,000, all as set out in the application filed herein.

Ordered, 2. That nothing herein contained shall be considered as a finding by the Commission of the value of the property herein authorized to be sold and transferred, either as to the whole or any part thereof, nor as an acquiescence in the value placed upon said property of said parties.

Ordered, 3. That nothing herein contained shall be construed as an approval by the Commission of the rates now charged by said parties for service, nor as a finding by the Commission that said rates are reasonable, and not excessive, and not discriminatory.

Ordered, 4. That nothing herein contained shall be construed as a finding by the Commission that the service of said parties is adequate, efficient or sufficient.

Ordered, 5. That this order take effect on this date.

February 20, 1919.

In re SUSPENSION OF RATES OF THE CRANE TELEPHONE
COMPANY.

Case No. 1904.

Decided February 25, 1919.

Increase in Switching Rates Authorized for Period of One Year.

REPORT AND ORDER.

The Crane Telephone Company, a corporation engaged in the telephone business in Crane, Missouri, on or about December 30, 1918, having filed in the office of the Commission its schedule known as P. S. C. Mo. No. 4, cancelling its P. S. C. Mo. No. 3, said schedule containing rates and charges for telephone service at its exchange at Crane, Missouri, and the effective date of said schedule having been suspended by order of the Commission, entered December 31, 1918, for a period of one hundred and twenty days ending April 30, 1919, unless otherwise ordered by the Commission, and a public hearing having been held by the Commission at the Colonial Hotel, Springfield, Missouri, on February 24, 1919, pursuant to notice thereof duly served upon all interested parties, at which time and place said Crane Telephone Company appeared by its counsel, *J. William Cook*, of Crane, Missouri, and no person appearing thereat representing the city of Crane nor any of the subscribers affected by the increased rates proposed in such schedule, and full investigation having been made by the Commission as to the lawfulness and reasonableness of the increased rates proposed in such schedule, the Commission finds the following to be the facts:

The only increase sought in said P. S. C. Mo. No. 4 is an additional charge of 25 cents per month for rural switching where the telephones, poles, wires and all equipment are owned by the subscriber. The present rate is \$3.00 per year, and the proposed rate is \$6.00 per year.

It appears from the evidence that for the twelve months immediately preceding the filing of said schedule, said telephone company earned the sum of \$3,690 as and for its

C. L. 88]

total revenue, including commissions on toll messages over the lines of the Southwestern Bell Telephone Company and toll for messages over their own lines and miscellaneous revenues, and that during said period the operating expenses of said company amounted to the sum of \$4,149, leaving a deficit for the year of \$459.

The said operating expenses include no allowance for depreciation or return on investment and the various items entering into such operating expenses are found to be reasonable and just. The value of the said exchange of the Crane Telephone Company is immaterial in this case, for the reason that said company is not now, and, after receiving the increase proposed, will not be, earning operating expenses. The evidence discloses that the sum of \$6,000 was paid for the exchange. Said company has 74 rural switching subscribers to be affected by the proposed increase, and such increase will produce an increased monthly revenue in the sum of \$18.50.

It therefore appears that the suspension order entered in this case on December 31, 1918, should be set aside and the rates and charges provided in said schedule, P. S. C. Mo. No. 4, should be permitted to become effective.

Now, therefore, after due deliberation,

It is ordered, 1. That the order of the Commission entered on December 31, 1918, be, and the same is hereby, set aside, and that the rates and charges provided in said schedule be permitted to become effective.

Ordered, 2. That any and all increases of rates herein authorized or permitted shall remain in force and effect for a period of one year only from and after the effective date of this order, at the end of which period of one year such increase of rates shall without further order cease and the rates of said company shall then be reduced and restored by said company to the rates now on file or charged by it at the present time; *provided*, that the Commission may hereafter, by further order, continue such rates and charges for another and further period, or, within said period of one year may otherwise change, modify or reduce

such rates and charges upon the evidence now before the Commission, or upon such other evidence as may be introduced before the Commission, and for this purpose the Commission fully retains jurisdiction of this case.

Ordered, 3. That said Crane Telephone Company shall be required to keep a full and accurate account of the revenues and expenses of its business, and shall file a full and complete report thereof with the Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports now required by law.

Ordered, 4. That this order shall be and remain in full force and effect on and after March 1, 1919, and that the secretary of the Commission forthwith serve a certified copy of said order upon the Crane Telephone Company and the mayor of the city of Crane, Missouri, and that said Crane Telephone Company on or before the effective date of this order notify the Commission in the manner provided in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

February 25, 1919.

In re SUSPENSION OF TOLL RATES OF SOUTHWESTERN BELL
TELEPHONE COMPANY.

Case No. 1924.

Decided February 26, 1919.

**Modified Schedule of Toll Rates Fixed by Postmaster General in Order
No. 2797, Suspended.**

SUPPLEMENTAL ORDER No. 1.

It appearing that the Southwestern Bell Telephone Company has filed with this Commission United States Telegraph and Telephone Service Bulletin No. 22, Order No. 2797, modifying Order No. 2495, and

C. L. 88]

It further appearing that the Commission did on January 21, 1919, suspend* the toll rates as filed by the Southwestern Bell Telephone Company in accordance with United States Telegraph and Telephone Service Bulletin No. 22, Order No. 2495,

It is ordered, 1. That the modified rates contained in said Order No. 2797 of Bulletin No. 22 be considered in connection with the other matters in this case, and be suspended for a period of eighty-three days, from February 26, 1919, to and including May 20, 1919, unless otherwise ordered by the Commission.

Ordered, 2. That this order shall take effect on this date, and that the secretary of the Commission shall forthwith serve on said Southwestern Bell Telephone Company, and on other parties of record in this case a certified copy of this order, and that a copy of this order be filed with said schedules in the office of the Commission.†

February 26, 1919.

In re SUSPENSION OF PROPOSED RATE INCREASE BY BUFFUM TELEPHONE COMPANY.

Case No. 1366.

Decided February 28, 1919.

Extension of Time During Which Increased Rates May Be Charged, Granted.

SUPPLEMENTAL ORDER NO. 2.

It appearing that the Commission, after due investigation, and after the company named above had submitted

* See Commission Leaflet No. 87, p. 1007.

† Similar orders suspending the modified schedule of toll rates prescribed by the Postmaster General in Order No. 2797, were issued in cases affecting the following companies:

Buffum Telephone Company.	No. 1926.	February 28, 1919.
Pattonsburg Home Telephone Company.	No. 1927.	March 3, 1919.
Cass County Telephone Company.	No. 1930.	February 28, 1919.

satisfactory evidence that certain of its rates for telephone service contained in its P. S. C. Mo. No. 1, First Revised Sheet No. 6, at its exchange at Louisiana, Missouri, were inadequate, unjust and unreasonable, and that the Commission by its order or record in the above-entitled cause did on February 25, 1918, permit the said company to put certain increased rates into effect for a period of one year, from March 1, 1918, to March 1, 1919, and,

It further appearing that any and all increases of rates authorized or permitted in the order in this cause issued February 25, 1918, were to remain in effect for a period beginning March 1, 1918, and ending March 1, 1919, for telephone service, at the end of which temporary period such increase of rates should without further order cease, and the rates of said company should then be reduced and restored by said company to the rates then on file or charged by it on February 28, 1918; *provided*, that the Commission might thereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company, and that the said company was required to keep a full and accurate account of the revenues and expenses of its plant, and file a full and complete record thereof with this Commission at the expiration of such period of one year beginning March 1, 1918, and ending March 1, 1919, and

It now appearing that the company shows by its verified report for the ten months ending December 31, 1918, and its estimated report for the two additional months, that its revenues from operation have been sufficient to allow 6 per cent. for depreciation and return on an investment of \$83,669, and it also appearing that the operating costs of the company have not been materially reduced during the period covered by the above named report,

Therefore, it is ordered, 1. That the Buffum Telephone Company be permitted to continue the rates allowed to be charged in the order of February 25, 1918, for a further period of one year from March 1, 1919, until February 29, 1920, under certain terms and conditions.

C. L. 88]

Ordered, 2. That any and all increase of rates herein authorized or permitted over and above the rates in effect on February 28, 1918, shall remain in effect for a further period of one year only, beginning March 1, 1919, and ending February 29, 1920, at the end of which yearly period such increased rates shall, without further order, cease, and the rates of said company shall then be reduced and restored by said company to the rates on file and in effect on February 28, 1918; *provided*, that the Commission may hereafter, by further order, continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 3. That the said company be required to keep a full and accurate account of the revenues and expenses of its plant, and file a full and complete verified report thereof with this Commission at the expiration of said period of one year beginning March 1, 1919, and ending February 29, 1920, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject matter of this cause, to continue, change or modify the rates of said company upon the expiration of said period of one year, or at any other time, upon the reports, evidence and facts now before the Commission, together with such other reports, evidence or facts as the company or any interested party may offer.

Ordered, 4. That this order shall take effect on March 1, 1919, and that the secretary of the Commission shall forthwith serve upon the parties hereto a certified copy of this order, and that the company shall on or before the tenth day of March, 1919, notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

February 28, 1919.

RELFE, FLAT AND NEWBURG TELEPHONE COMPANY v. NEWBURG TELEPHONE COMPANY.

Case No. 1527.

*Decided March 1, 1919.***Restoration of Switching and Toll Service at Flat Rates Fixed by Contract, Denied — Reduction in Toll Rates Ordered.**

The Relfe, Flat and Newburg Telephone Company contracted with the Newburg Telephone Company that the latter would render switching service to the subscribers of the former, and also render message service over the toll line to Rolla for a flat rate of 50 cents per month, per telephone. The Newburg company later filed a rate of 40 cents per month for switching rural lines, with a discount of 5 cents for prompt payment, and thereupon the subscribers on the Relfe line were required to pay 40 cents instead of 50 cents per month for service, but were denied free service over the Newburg-Rolla line under the contract. The complainant sought to have the Commission require the defendant to render service to the complainant upon the terms provided in the contract, or to fix the fair, just and legal charge to be made by the defendant for switching and message service.

The Rolla Telephone Company intervened, and stated that it had an interest in the controversy by reason of the fact that it owned an undivided one-half interest in the toll line between Newburg and Rolla; that it had had no notice or knowledge of the contract between the Relfe company and the Newburg company, although it was directly interested, as said contract concerned messages passing over the line which it jointly owned with the Newburg company; that said line was exclusively a toll line, and that the making of a contract allowing any person or persons unlimited use of the same was discriminatory and violative of law.

Held: That renewal of the contract and of the 50-cent flat rate therein provided for switching and message service should not be required, as the charging of said rate resulted in undue and unreasonable preference and advantage to the subscribers of the Relfe company, and subjected all other rural line subscribers switched by the Newburg company to an undue and unreasonable prejudice, a condition prohibited by the Public Service Commission Law;

That the contract was entered into after the Public Service Commission Law became effective, and, therefore, did not come within the proviso in Subsection 4 of Section 87, excepting contracts made prior to the Public Service Commission Law;

That the toll rate of 15 cents plus a 5-cent charge for government tax was excessive for message service over a toll line only $8\frac{1}{2}$ miles long; that such a rate very probably restricted the proper use of the line; that

rates for standard toll service did not properly apply to this kind of toll line service, and a rate of 10 cents for an initial period of five minutes with a 5-cent overtime rate for an overtime period of five minutes should be made for messages over this line;

That, inasmuch as the government tax was not applicable to charges of less than 15 cents, it would not apply to this rate.

REPORT.

The Relfe, Flat and Newburg Telephone Company is an association of owners of a rural telephone line in Phelps County, Missouri, running from Relfe via Flat to Newburg, where a connection is made with another telephone system known as the Newburg Telephone Company, now owned and operated by Mrs. Anna Bramel.

The Newburg Telephone Company is connected with the telephone system at Rolla by a toll line between Newburg and Rolla, approximately 8½ miles long. In July, 1913, the Relfe, Flat and Newburg Telephone Company, (hereinafter called the Relfe line), entered into the following contract with the Newburg Telephone Company:

"The following is a contract and agreement by and between E. S. Bramel, owner of the Newburg Telephone Company, hereinafter designated as the party of the first part, [and] a copartnership and organization of individuals known as the Relfe, Flat and Newburg Telephone Company, hereinafter designated as the party of the second part, of Phelps County, State of Missouri, *witnesseth*: That for and in consideration of the sum of \$1.00 in hand paid, and other considerations hereinafter mentioned, to the party of the second part, it is mutually agreed and contracted by and between the parties hereto as follows: that the said second party will construct and maintain in good repair during the life of this contract a telephone line from Relfe in Phelps County, Missouri, via Flat to the bridge over Little Piney River south of the city of Newburg, Missouri, and to keep at least five 'phones in operation on said line; each 'phone to pay to the party of the first part an annual switchboard fee of \$5.00, for a period of five years, beginning with September 1, 1913, and to pay the first party 50 per cent. of all tolls received in transmitting messages over the line and connections of the said first party. The party of the first part to maintain in good repair, for transmitting and receiving messages, a telephone system in the city of Newburg, connecting with the said telephone line at the said bridge over Little Piney River, and to furnish the second party hereto with

switchboard connections at all times during the life of this contract with the cities of Newburg and Rolla, in said county and State, without charges other than herein provided, the said first party agrees to pay to the second party 50 per cent. of all tolls received in transmitting messages over the line of the said second party.

It is further agreed and understood by and between the parties of this contract that neither party hereto will send a message for a non-subscriber without charging a regular toll rate, and it is further agreed that at the expiration of this contract the said second party is to have the privilege of renewing said contract for another five years under the same terms and conditions of this contract.

Given under our hands and seals this twenty-eighth day of July, 1913."
(Signatures omitted).

Under this contract, the Newburg Telephone Company rendered switching service to the subscribers of the Relfe line, to its own exchange, and also rendered message service to such subscribers over the toll line to Rolla for a flat rate of 50 cents per 'phone, per month.

In addition to the switching service rendered the Relfe line, the Newburg Telephone Company renders switching service to nine other rural lines. The switching service rendered all of these lines, including the Relfe line, is of the character designated by the Commission as Class A, Rural Service, *i. e.*, where the subscribers furnish and maintain the instruments, wires, poles, and other necessary equipment, the exchange company merely rendering switching service at its exchange.

In November, 1917, the Newburg Telephone Company filed with the Public Service Commission a new schedule, providing increases for exchange and rural switching service, to become effective on December 1, 1917.

Mr. E. S. Bramel, at that time the manager of the Newburg Telephone Company, made a showing to the Commission that the increased rates were made necessary because of higher cost of labor and materials, and filed proof of publication of the proposed schedule, and also filed a number of petitions or statements signed by a large number of subscribers asking that the telephone company be allowed the rate increase proposed.

The rural switching rates on all lines other than the Relfe line were 25 cents per month, per 'phone. In the new schedule filed by the Newburg Telephone Company, a rural switching charge of 40 cents, with a 5-cent discount for prompt payment, is provided. This schedule was not suspended by the Commission, and became effective on December 1, 1917. It included all service rendered by the company, and therefore applied to the subscribers on the Relfe line, who were thereafter required to pay 40 cents instead of 50 cents per month, and were denied the free service over the Newburg to Rolla toll line theretofore rendered under the contract.

On April 6, 1918, the owners of the Relfe line filed their complaint herein setting up the contract hereinbefore mentioned, alleging that the Newburg Telephone Company had, since January, 1918, refused to render switching service and service over the toll line to them under the terms of the contract, and praying that the Commission enter into an investigation and hearing, and require the defendant company to render service to such complainants upon the terms provided in the contract, or that it fix the fair, just and legal charges to be made by the defendant company for switching and message service.

The answer of the Newburg Telephone Company admitted that the said company refused to render service to the complainants under the provisions of the contract, and that it had refused to renew such contract; that same was discriminatory and unlawful, and was so held to be by an order of the Public Service Commission.

The Rolla Telephone Company, as an intervener, filed its answer stating that it had an interest in the controversy by reason of the fact that it owned an undivided one-half interest in the toll line between Newburg and Rolla; that said intervening company had no notice or knowledge of the contract at the time it was entered into by and between the complainants and the Newburg Telephone Company, although it directly affected the interest of the said inter-

vening company in that it provided for service to complainants over the toll line between Newburg and Rolla, in which the intervening company held an undivided interest as aforesaid; that said line was exclusively a toll line, there being no subscribers on same, and the making of the contract allowing any person or persons unlimited use of the same, was discriminatory and violative of law.

A hearing was held by a special examiner for the Commission on the twenty-fifth day of November, 1918, at Rolla.

The evidence for the complainant showed that in the latter part of 1917, some six months before the term of the contract expired, the manager of the Newburg Telephone Company refused to render service to complainants over the Newburg-Rolla toll line for a flat rate of 50 cents, as provided in the contract; that this toll line is the only means of communication complainants had with Rolla. Complainants also testified that the original cost of the Relfe, Flat and Newburg line was about \$650, and it had been partially reconstructed at a cost of about \$200; that the line was exclusively maintained and kept in repair by complainants.

Mrs. Anna Bramel, the widow of the former owner and manager of the Newburg Telephone Company, testified that since December 1, 1917, the effective date of the rate schedule filed with the Commission, the Newburg Telephone Company had required the complainants to pay the regular Class A rural service charge of 40 cents per month for switching service, and had charged them for messages to Rolla the regular toll rate of 15 cents, plus 5 cents for government tax.

An exhibit was offered in evidence by Mrs. Bramel, which shows the number of the rural lines served by the Newburg Telephone Company, the name or number of each line, the length of each line and the revenue derived from each line for one year.

This exhibit, summarized, is as follows:

	<i>Number of Sub- scribers</i>	<i>Length, Miles</i>	<i>Collections from Switching Charge of 40 Cents, 5 Cents Discount</i>	<i>Tolls, Non- subscribers, etc.</i>
A line.....	8	4	\$33 60	.....
B line.....	13	15	54 60	\$0 60
D line.....	8	7	33 60	15
E line.....	7	4	29 40	30
F line.....	10	3	42 00	45
G line.....	8	6	33 60	15
H line.....	16	7	67 20	90
L line.....	10	7	42 00	1 05
K line.....	6	8	25 20	45
J line (Relfe line).....	7	18	*42 00	10 95

* 50-cent flat rate under contract.

The exhibit also shows that the Newburg Telephone Company maintains A, B, D, E, F and G lines for a distance of 2 $\frac{3}{4}$ miles from Newburg, and maintains the other lines for a distance of one-half mile from Newburg.

There appears no unusual or distinctive difference between the Relfe line and the other lines, either in the character of the construction of the lines, the revenue received, or the service rendered.

Mr. Edwin Long, owner of the Rolla Telephone Company, testified that the service rendered by the Newburg company to the Relfe line was of the same kind and character as that rendered to other rural lines.

CONTRACT RATES.

Complainants seek an order requiring a renewal of the contract, and of the 50-cent flat rate therein provided, or the establishment of a fair rate for switching service to the Newburg exchange and for service over the toll line to Rolla.

The defendant, Newburg Telephone Company, contends the contract provides for discriminatory service to its rural

lines, and asks that the Commission approve the application of the scheduled switching charge of 40 cents, less the 5-cent discount to all rural lines.

The intervening defendant, Rolla Telephone Company, avers that the contract was never valid and binding, inasmuch as it permitted the use by complainants of the toll line in which it held an undivided one-half interest, without remuneration to it for such use.

The evidence conclusively shows that the toll line between Newburg and Rolla is used for toll service only, and that all rural subscribers, other than complainants, were required to pay a 15-cent plus 5-cent rate for message service over same. It likewise appears that the charging of the 50-cent flat rate for switching service and for use of the toll line by complainants resulted in an undue and unreasonable preference and advantage to them, and subjected all other rural line subscribers to an undue and unreasonable prejudice, a condition prohibited by the provisions of Section 87 of the Public Service Commission Law. The contract was entered into after the Public Service Commission Law became effective, and therefore does not come within the terms of the proviso contained in Subsection 4 of Section 87, *supra*.

It is made the duty of the Public Service Commission to require all public utilities operating in this State, not only to serve the public at reasonable rates, but without discrimination. *Hannibal Trust Company et al. v. Southwestern Telegraph and Telephone Company*, 3 Mo. P. S. C. 451;* *Knott v. Southwestern Telegraph and Telephone Company*, 2 Mo. P. S. C. 531.†

In the recent case *In re Boonville Telephone Company. No. 1726*,§ the Commission said:

"This Commission has many times expressed its disapproval of the inequalities arising from contracts containing provisions for free service

* See Commission Leaflet No. 51, p. 878.

† See Commission Leaflet No. 46, p. 1186.

§ See *supra*, p. 1315.

or for service at special reduced and unequal rates. This was in the main the subject of the report in *Knott et al. v. Southwestern Telegraph and Telephone Company*,* 2 Mo. P. S. C. 563, and the subjects of free service, discrimination in service and the like are there fully discussed. The prior rulings of this Commission and the rulings of other commissions in like cases are given, and the decisions of the courts of last resort of this State and of many other states are cited, holding that discriminations and undue preferences by public service companies between localities or patrons are indefensible."

Our conclusion on this point is that the operation, under the contract in question demonstrated the practice of an unjust discrimination, and the application of complainants for the renewal of such contract, should be denied.

THE RATES FOR MESSAGE SERVICE OVER THE NEWBURG-ROLLA TOLL LINE.

We are unable to find in the scheduled rates of the defendant company or the intervening defendant company a rate for the use of the toll line between Newburg and Rolla, jointly owned by the two companies. However, the evidence in this case shows that the Newburg company charges 15 cents plus 5 cents for messages from Newburg to Rolla, and the Rolla company charges a like sum for messages from Rolla to Newburg.

The complainants herein pray that the Commission prescribe "fair, just and legal" charges for the service heretofore rendered under the contract, which included the service over the Newburg-Rolla toll line. The defendant company and the intervening defendant company have filed answers to this complaint, and each appeared at the hearing and offered testimony. Under these circumstances the Commission has jurisdiction over the question of reasonable rates for message service over the toll line, and has jurisdiction of the parties affected by such rates.

We are of opinion that a 15-cent plus 5-cent charge is excessive for message service of this kind over a toll line only 8½ miles long. Such a rate very probably restricts the proper use of the line. Rates for standard

* See Commission Leaflet No. 46, p. 1186.

toll service do not properly apply to this kind of toll line service. Telephone companies operating in this State usually provide a special message rate for short line inter-city service, where such service is habitually used for communication between two adjoining cities.

A rate of 10 cents for an initial period of five minutes, with a 5-cent overtime rate for an overtime period of five minutes, appears to the Commission to be a reasonable charge for message service over this line. Inasmuch as the government tax is not applicable to charges of less than 15 cents, it will not apply to this rate.

The defendant company and the intervening company should each be required to file a schedule providing such a rate effective on April 15, 1919.

An order so providing, will issue.

ORDER.

This case being at issue upon complaint and answers of defendant and intervening defendant, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having on the date hereof made and filed its report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

Now, upon the evidence in this case, and after due deliberation,

It is ordered, 1. That the Commission finds from the evidence in this case that the contract entered into by and between E. S. Bramel, owner of the Newburg Telephone Company, and a copartnership and organization of individuals, known as the Relfe, Flat and Newburg Telephone Company, on July 28, 1913, provided a less compensation to the said Newburg Telephone Company for telephone service rendered the said copartnership or organization of individuals than that charged other persons to whom

C. L. 88]

a like and contemporaneous service was rendered under the same or substantially the same circumstances and conditions.

Ordered, 2. That the application of the complainants for an order requiring renewal of the said contract, or the rendition of service under the terms thereof, be, and the same is hereby, denied.

Ordered, 3. That the Commission finds from all the evidence in this case that the toll rates now being charged by the defendant Newburg Telephone Company, and by the intervening defendant Rolla Telephone Company, for telephone service over the toll line jointly owned and maintained by said companies between Newburg and Rolla, are excessive and unreasonable, and that the maximum special toll rates herein prescribed are reasonable and just for such service.

Ordered, 4. That the said defendant and intervening defendant file with the Commission on or before the fifteenth day of April, 1919, proper schedules containing a rate of 10 cents for an initial period of five minutes, and a 5-cent overtime rate for an overtime period of five minutes, for all message service rendered the public over the said toll line between Newburg and Rolla, and on and after said fifteenth day of April, 1919, charge and collect said rates for such service.

Ordered, 5. That complainants, defendant, intervening defendant, and any other parties interested herein, be, and they are hereby, given leave at any time after an actual test of the rates prescribed and promulgated herein has been made, to apply to the Commission by motion or supplemental petition for a modification or revision of such rates, if found to be unreasonable or unjust to complainants, defendant, intervening defendant, or the public, and that the Commission reserves jurisdiction of the subject matter for the purpose of entering such additional or supplemental order or orders as the facts may warrant.

Ordered, 6. That this order shall take effect on March 5, 1919, and that the secretary of the Commission forthwith serve on complainants, defendant, and intervening defendant, certified copies of this order and the report filed herein, and that such parties be, and they are hereby, required to notify the Commission in the manner required in Section 25 of the Public Service Commission Law, whether the terms of the order will be accepted and obeyed.

March 1, 1919.

NEBRASKA.

State Railway Commission.

In re APPLICATION OF CEDAR COUNTY FARMERS TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 2293.

Decided January 24, 1919.

Extension of Time for Completing Reconstruction, Granted — Modification of Order to Permit More than Ten Subscribers per Line, at Request of Majority of Subscribers on Line, Authorized.

FINDINGS.

On July 6, 1917, the Commission issued a first supplemental order,* in the above matter, providing for certain rates for telephone service and certain rules and regulations governing accounting of the company. One provision of the order reads as follows:

"It is further ordered, That within one year from the effective date of this order, applicant herein shall reconstruct its farm lines in such manner as may reduce the number of subscribers on each line to a maximum of ten."

In order† entered July 15, 1918, this date for completing the reconstruction was extended to February 1, 1919.

Applicant now asks that the question of cutting the lines in two be left optional with the subscribers, it being stated that some farm lines with more than ten subscribers are anxious to retain the present number of subscribers for social and business purposes. As long as the service is satisfactory to the subscribers, the Commission knows of no reason why the question of division of the lines should not be left to a majority of the subscribers on that line.

The company shows, also, that for the same reasons that an extension of time in which to complete this improvement

* See Commission Leaflet No. 68, p. 370.

† See Commission Leaflet No. 81, p. 983.

was granted the changes have not entirely been completed. The Commission does not desire to impose the burden of winter construction upon the company, and for that reason will grant an extension of time to complete the rebuilding to September 1, 1919, the company, however, to push the work as fast as circumstances will allow.

THIRD SUPPLEMENTAL ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the date on which the farm lines of the Cedar County Farmers Telephone Company were to have been reconstructed, as per the terms of the provision of the order* of July 6, 1917, quoted above, be, and it hereby is, extended to September 1, 1919, the company, however, to push the work of reconstruction as rapidly as circumstances will permit.

It is further ordered, That where, on petition, a majority of subscribers on a farm line of more than ten subscribers asks that a division of the line be not made, such request of subscribers may be followed unless the minority subscribers on said line show that the service is unsatisfactory.

Made and entered at Lincoln, Nebraska, this twenty-fourth day of January, 1919.

In re APPLICATION OF BEAVER CITY TELEPHONE EXCHANGE FOR AUTHORITY TO REVISE ITS RATES.

Application No. 2381.

Decided January 29, 1919.

**Rates Fixed by Previous Order Directed to Become Effective Upon
Installation of New Switchboard.**

SUPPLEMENTAL ORDER.

Whereas, notice has been filed with the Nebraska State Railway Commission by the Beaver City Telephone

* See Commission Leaflet No. 68, p. 370

APPLICATION OF BEAVER VALLEY TELEPHONE CO. 1349

C. L. 88]

Exchange that a new switchboard of an approved pattern and of ample capacity to care for its business growth for some time to come has been installed and is ready for operation,

It is, therefore, ordered by the Nebraska State Railway Commission, That the rates named in order of the Commission dated July 23, 1918, be, and they are hereby, authorized to become effective February 1, 1919.*

Made and entered at Lincoln, Nebraska, this twenty-ninth day of January, 1919.

In re APPLICATION OF THE BEAVER VALLEY TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3737.

Decided January 29, 1919.

Rates for Extension Telephones and Extension Bells Approved.

ORDER.

Application having been made by the Beaver Valley Telephone Company of Danbury, Nebraska, for authority to publish rates for special service as follows:

Extension sets	\$0 50 per month
Extension bells (small).....	1 00 per year
Extension bells (loud ringing).....	1 50 per year

Authorization of these special service rates having been inadvertently omitted from the order† dated January 11, 1919, it was on motion directed that these special rates be approved as set out above and applicant be notified by letter to that effect.

January 29, 1919.‡

* See Commission Leaflet No. 81, p. 990.

† See Commission Leaflet No. 87, p. 1041.

‡ Letter of secretary of Nebraska State Railway Commission to Mr. George R. Miller, secretary of Beaver Valley Telephone Company, Danbury, Nebraska, January 30, 1919.

In re APPLICATION OF FARMERS COOPERATIVE TELEPHONE
COMPANY OF JANSEN FOR APPROVAL OF INSTALLATION
AND MOVING CHARGES.

Application No. 3815.

Decided February 4, 1919.

**Installation and Moving Charges Authorized — Joint User Rates and
Rates to be Charged During Temporary Suspension of Service,
Fixed.**

FINDINGS.

Applicant herein desires to publish a charge of \$1.00 for each new installation and for each move of telephone equipment. It has not heretofore made charge for such services.

The Commission has gone extensively into this question and has heretofore determined that charges under certain circumstances should be made for installations and moves. It has approved a set of rules for installations and moves, which it considers applicable to all exchanges within the State. It is of the opinion that standard rules approved by it should be authorized for this company rather than the rate proposed by applicant.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Farmers Cooperative Telephone Company of Jansen, Nebraska, be, and it hereby is, authorized to publish, effective February 15, 1919, the following rules and regulations concerning new telephone installations and moves:

C. L. 88]

For moving telephone from one house or building to another house or building.....	\$2 00
For moving telephone from one location to another location	50
For reinstalling telephone that has been ordered out..	2 00
For business 'phone temporarily on dead line.....	1 25 per month
For residence 'phone temporarily on dead line.....	75 per month
For two business firms occupying same building and using same 'phone, the names of both firms appearing in directory, a charge additional to regular business rate for one 'phone.....	1 00 per month
For two families living in same house using same 'phone, names 'of both families appearing in directory, a charge additional to regular residence rate for one 'phone.....	75 per month

Provided, that where a subscriber has used the telephone continuously for twelve months or more without moving or without having ordered it out, such subscriber shall be entitled to one removal or change or a reinstallation without charge; if said removal or change is ordered before the expiration of one year of service or before one year shall have elapsed since the last removal or change, such subscriber shall pay the sum of \$2.00 as set forth above, same to be credited to the subscriber's service charge over a sufficient period during the closing months of the year following such removal or change to absorb said payment.

Made and entered at Lincoln, Nebraska, this fourth day of February, 1919.

In re APPLICATION OF FARMERS UNION TELEPHONE COMPANY
OF WINNETOON FOR AUTHORITY TO INCREASE RATES.

Application No. 3768.

Decided February 5, 1919.

**Rates for Metallic Circuit Business Service Fixed — Discount for
Prompt Payment Authorized — Optional Message on Flat Toll
Rate in Lieu of Free Interexchange Service Authorized — Construction of Clear Toll Line Ordered.**

FINDINGS.

The Farmers Union Telephone Company of Winnetoon, Nebraska, made application to the Commission for author-

ity to publish a rate for metallic party line business service at Center, Nebraska, such rate to be whatever the Commission deemed proper. It also asked authority to publish a flat annual rate for added exchange service between Winnetoon and Verdigre, between Center and Verdigre, between Winnetoon and Creighton, and between Center and Creighton. Applicant further asked that provision be made for charging non-subscribers between Center, Creighton, Verdigre and Winnetoon.

This matter was gone into carefully by the Commission with A. A. Baker, secretary of the company, and it was found that applicant company was furnishing a considerable amount of service for nothing where properly the exchange should derive a revenue. This included non-subscribers' use of lines of the Winnetoon company between Winnetoon and adjacent towns of Creighton and Verdigre, and also use of the lines between Winnetoon and Center.

Applicant desired very much that the rate for business service at Creighton be fixed for \$2.25 net. Inasmuch as the business rate at Winnetoon is \$1.75, the Commission was unable to see the justice of that part of the application.

It is of the opinion, and so finds, that the rate for this metallic party line business service at Center should be \$1.75 net and \$2.00 gross, the discount of 25 cents to be allowed where bills are paid on or before the tenth of the month in which service is rendered.

Applicant feels that the rents will not properly pay a return on the investment and maintain this metallic line for a distance of 10 or 12 miles, but the Commission is of the opinion that the toll service, both flat and per message, which will move over this same party line should bear its portion of the cost of maintenance.

Subscribers of the Walnut Telephone Company, lying to the west of Verdigre, have access to the Verdigre exchange and through that reach Winnetoon and Center. This service has been secured in the past for nothing, although the Winnetoon company owns the lines between Verdigre and Winnetoon and between Winnetoon and Center and

C. L. 88]

maintains the same. The line between Winnetoon and Verdigre is single wire with subscribers attached. The evidence showed a considerable amount of business between Verdigre and Center. The Commission is of the opinion that at an early date the Winnetoon company should provide a purely toll line between Verdigre and Winnetoon in order to properly care for this business. Rates will be provided herein to warrant such investment. Inasmuch as the Verdigre switches for Walnut subscribers, Verdigre will be responsible for the toll calls originating at Walnut and destinating at Center or Winnetoon, which calls, so far as the lines of the Winnetoon company are concerned, will be handled on the same basis as the Verdigre calls.

The evidence presented by Mr. Baker showed that the toll line between Creighton and Verdigre through Winnetoon is all owned by applicant and that it has derived no revenue either from its wire mileage or in handling the messages through the Winnetoon switchboard. Thus, a certain expense is loaded on to the Winnetoon subscribers which should be borne by the miscellaneous users of this service. It has been the practice for the originating exchanges to keep these toll charges, and also by mutual agreement it has been the practice where flat rate added exchange service is provided that the originating company in each instance keep what it collects. In fixing proper rates for this service at Winnetoon and adjacent towns, the Commission is of the opinion, and so finds, that arrangements in the future should be on such a basis as to properly reimburse the Farmers Union Telephone Company of Winnetoon for its mileage in toll lines, and if it is impossible to arrange an equitable understanding with adjacent exchanges on a division of these revenues, the Commission will undertake to provide such division upon complaint to it.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That from and after March 1, 1919, the Farm-

ers Union Telephone Company of Winnetoon, Nebraska, be, and it hereby is, authorized to publish and collect the following rates for short line toll business and added exchange service:

1. All calls except flat rate subscribers between Verdigre and Winnetoon, 10 cents per message.
2. Optional flat rate service between Verdigre and Winnetoon, \$1.00 per subscriber, per annum.
3. All calls between Creighton and Winnetoon, except from flat rate subscribers, 10 cents per message.
4. Optional flat rate service for subscribers between Creighton and Winnetoon, \$1.50 per annum.
5. Optional subscribers' flat rate service between Creighton and Center, \$2.00 per annum.
6. Optional subscribers' flat rate service between Verdigre and Center, \$2.00 per annum.
7. All calls between Verdigre and Center, except from flat rate stations, 15 cents per call.
8. All calls between Creighton and Center, except from flat rate subscribers, 15 cents per call.
9. Party line business service at Center, \$2.00 per month, with discount of 25 cents per month where bills are paid on or before the tenth of the month in which service is rendered.

It is further ordered, That in the service denoted above as No. 1 to No. 8 inclusive each exchange should be responsible for the collections of the per message charges and the flat rate service originating on that exchange. Division of the revenues shall be upon a basis mutually agreed upon, proper allowance being made for the fact that the Farmers Union Telephone Company of Winnetoon owns all the lines over which these messages pass.

It is further ordered, That at an early date applicant herein shall construct a toll line between Verdigre and Winnetoon not obstructed by party line subscribers.

Made and entered at Lincoln, Nebraska, this fifth day of February, 1919.

In re APPLICATION OF PLATTE VALLEY TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE TOLL RATES.

Application No. 3756.

Decided February 8, 1919.

**Establishment of Toll Rates in Lieu of Free Interexchange Service
Authorized.**

FINDINGS.

This is an application praying for authority to increase the toll rates of the Platte Valley Telephone Company 25 per cent. and to eliminate free service between certain of its exchanges. By request of applicant the hearing upon the application for the increase in the toll rates is postponed to some future date, the application to remain on file.

Applicant owns and operates ten exchanges, seven of which are in Nebraska, viz., Scottsbluff, Gering, Bayard, Melbeta, Minatare, Mitchell and Morrill. With the exchanges of Torrington, Lingle and Guernsey, Wyoming, we are not concerned. At the present time free service is furnished between the following exchanges, to-wit, Morrill and Mitchell, Mitchell and Scottsbluff, Mitchell and Gering, Scottsbluff and Minatare, Gering and Melbeta, Gering and Minatare, Minatare and Melbeta, and Scottsbluff and Gering. It is proposed to continue the free service between Minatare and Melbeta and Scottsbluff and Gering. Between the other exchanges mentioned the proposal is to eliminate the free service and apply a rate of 10 cents, this rate to be applicable where the message originates on one exchange and terminates on another without going through an intermediate exchange. Where the message goes through an intermediate exchange the regular toll rates now on file are to apply.

Notices of this application were sent by the Commission to the chairman of the village board in each town affected and to all of the newspapers in that territory. Only one

protest was received. A petition, numerously signed, by citizens of Gering and vicinity was received, the burden of the protest being directed at the service now furnished by the applicant.

In support of its application for the elimination of the free service, applicant states that notwithstanding it maintains from two to six trunk lines between the various exchanges the traffic is so heavy that messages are seriously delayed and interfered with. While the service under the rules of the company is presumed to be extended only to subscribers of the company, the fact is that it is used indiscriminately by subscribers and the general public. It is impossible for the company to properly police this service and prevent non-subscribers from making use of its lines. It is further contended — and the contention is borne out by the experience of the Commission — that the greater portion of the traffic consists of other than business or necessary calls. The result is that the lines are held for lengthy visits between those making use of the lines, to the general detriment of the service. It is asserted that the application of a 10-cent message rate will eliminate very largely the trivial and unimportant traffic and permit those who have business or important messages to secure prompt service.

It is further contended by the company that the constantly increasing costs of operation compel it to either adopt certain economies or apply for an increase of rates. It was felt that the elimination of the free service would be a step in the direction of the economy desired. A statement of the operating revenues and expenses of the company for the month of October, 1918, and a comparison with the same month of the year previous confirms this contention.

It is the opinion of the Commission that the application of the company is reasonable. The situation described with reference to the overloading of the trunk lines is an invariable accompaniment of unlimited free service. It is impossible for a company to maintain prompt and efficient

service between exchanges where it is operated on a free basis. The company proposes to continue a free exchange of service between the towns of Gering and Scottsbluff and Melbeta and Minatare. These towns are contiguous to each other, only the Platte River is intervening. The close relationship existing between Scottsbluff and Gering and between Minatare and Melbeta, makes desirable an exchange of service which treats them as practically single exchanges.

ORDER.

It is, therefore, ordered, That the Platte Valley Telephone Company be, and the same hereby is, authorized to eliminate the free service now furnished between the following exchanges, to-wit, Morrill and Mitchell, Mitchell and Scottsbluff, Mitchell and Gering, Scottsbluff and Minatare, Gering and Melbeta, and Gering and Minatare; and make a charge of 10 cents per message on all calls between the exchanges mentioned.

It is further ordered, That the free service between Minatare and Melbeta and between Scottsbluff and Gering be not disturbed.

Made and entered at Lincoln, Nebraska, this eighth day of February, 1919.

In re APPLICATION OF THE WYOMING AND NEBRASKA TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3736.

Decided February 10, 1919.

Business, Residence, Switching and Extension Rates, Approved.

SUPPLEMENTAL ORDER.

In the original order* in this case the Commission by inadvertence failed to name rates for the various classes of service at the Cody exchange of applicant company. The

* See Commission Leaflet No. 86, p. 730.

financial condition of the company applies with as much effect to the Cody exchange as to the other exchanges, and the increase approved for the remainder of the system should be made to apply to the rates for service at Cody.

It is, therefore, ordered, That the original order* in this case be amended so as to authorize the Wyoming and Nebraska Telephone Company, applicant herein, to charge and collect the following scale of rates for its Cody exchange:

Individual business	\$3 25
Individual residence.....	2 00
Switching service	60
Business extension	1 00

It is further ordered, That all of the other provisions and conditions of the original order* shall be applied to the rates herein prescribed for the Cody exchange.

This order to be effective as of February 1, 1919.

Made and entered at Lincoln, Nebraska, this tenth day of February, 1919.

In re UNIFORM SYSTEM OF ACCOUNTS FOR TELEPHONE COMPANIES.

General Order No. 45.

Decided February 11, 1919.

Uniform System of Accounts for Class C, Class D and Class E Telephone Companies, Approved.

FINDINGS.

The Commission having under consideration a uniform system of telephone accounting to be prescribed for, and kept by telephone companies in the State of Nebraska, whose annual operating revenues are \$50,000 or less (not including exclusively mutual telephone companies), finds

* See Commission Leaflet No. 86, p. 730.

C. L. 88]

from the record and testimony introduced at a hearing, held on the initiative and order of the Commission to show cause, that a uniform system of telephone accounting is necessary for the proper administration of the rates and service of telephone companies located in Nebraska.

The Commission is further of the opinion that the classification of telephone accounts and the necessary books and blanks considered at the hearing held in the Capitol building in Lincoln on January 29, 1919, are just and reasonable, and should be promulgated for all classes C, D, and E telephone companies, as prescribed in the system of telephone accounting contained in Exhibit A and the Appendix (omitted) thereto, which are hereby made a part of the findings and order in these proceedings.

An order will be entered in accordance with these findings.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, (1) That the uniform system of telephone accounting for Classes C, D, and E telephone companies contained in Exhibit A which is hereby made a part of this order, together with the general and special instructions pertaining thereto, and the appendix thereof containing a draft of the books and blank forms necessary for the installation of said accounting system, are approved and established by the Commission.

It is further ordered, (2) That parts I. and III. of Exhibit A and the Appendix thereto, being the uniform system of telephone accounting herein established, shall be used by telephone companies having an annual operating revenue of not more than \$50,000 or less than \$5,000; same to be known as Class C and Class D companies.

That telephone companies who are common carriers under the Railway Commission Act, whose annual operating revenue is \$5,000 or less shall be known as Class E companies, and shall keep the accounts and use the forms as promulgated in parts II. and III. as provided in Exhibit A and the Appendix thereto.

That each and every such telephone company, and each and every receiver or operating trustee of any such telephone companies be required to keep all accounts and use the books of record and the necessary forms herein promulgated.

It is further ordered, (3) That a copy of this order together with Exhibit A containing the uniform system of telephone accounting herein prescribed shall be sent to each and every telephone company affected by this order, and to each and every receiver or operating trustee of any such telephone company.

It is further ordered, (4) That February 15, 1919, be, and the same is hereby, fixed as the date on which the said issue of the uniform system of telephone accounting for Classes C, D and E companies shall become effective. *Provided, however,* that the system shall not be installed by any telephone company affected hereby until the necessary books of record and blank forms have been secured by the company.

Made and entered at Lincoln, Nebraska, this eleventh day of February, 1919.

In re APPLICATION OF KEARNEY COUNTY INDEPENDENT TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3804.

Decided February 15, 1919.

**Increase in Rates Authorized — Discount for Annual Advance Payment
Approved — Reduced Rates to Subscribers Owning Telephones
Authorized — Dividends Limited to 7 Per Cent.— Use
to be Made of Surplus Outlined.**

FINDINGS.

The Kearney County Independent Telephone Company, operating in and around Norman and Heartwell, Nebraska, has asked the authority of the Commission to advance its

rates 25 cents per month on all classes of service so that the rates would be as follows:

Business, residence, and farm line service where subscriber owns instrument.....	\$1 25 per month
Business, residence, and farm line service where company owns instrument.....	1 50 per month
From above rates \$2.00 per annum discount when service is paid for one year in advance.	

The Commission has, after careful checking of its records relative to this company, deemed it not necessary to hold a hearing. The company is not organized for profit and has never paid dividends to its stockholders. It claims to have assets of \$18,650, while the stock outstanding and paid for amounts to \$13,080. The Commission has no knowledge whether the assets are as much as the company sets them forth and for the purposes of this case does not consider it necessary to ascertain the fact.

The records of the Commission show that for the past five years at least the company has spent more than the normal amount on maintenance, even after allowance is made for new construction being erroneously included with maintenance. The amount spent and the percentage of assets for a number of years are as follows:

	1914	1915	1916	1917	1918
Maintenance expense	\$2,595 34	\$2,796 72	\$2,268 82	\$2,255 49	\$3,286 27
Percentage of assets	13½	14½	11½	12	17

In 1918 the company's revenues amounted to \$5,592.02, the expenses to \$5,617.72, and a net loss of \$25.70. No dividends were paid on the property and the general expenses were unusually low for a company of this size. Some of the unusually high maintenance expenses, as stated before, may have been used for the construction of property, but the assets statements of the company for the past five years show only about \$1,200 of property added from the rates, or \$240 per annum. The company has added 53 subscribers

in the past seven years. Both figures are quoted to show that the company's expenditure in new construction has not been responsible for its present deficit. The additional rates will provide a maximum of \$1,370 additional revenue, which will probably be reduced by annual payments in advance and the discount thereon. The Commission will authorize the increased rates, but will require that the surplus revenue be used in maintaining the present properties, or be held in cash surplus until further showing to the Commission.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Kearney County Independent Telephone Company be, and it hereby is, authorized to publish and collect, effective March 1, 1919, the following rates for telephone service on its exchanges at Norman and Heartwell. Nebraska:

Business, residence, and farm line service where subscriber owns instrument.....	\$1 25 per month
Business, residence, and farm line service where company owns instrument.....	1 50 per month
From above rates \$2.00 per annum discount when service is paid for one year in advance.	

It is further ordered, That applicant company shall first pay all legitimate operating expenses, current maintenance necessary to produce efficient service, and keep properties in good condition, a depreciation reserve in liquid assets to cover accrued depreciation not protected by current maintenance, reasonable general expenses, such items as insurance and taxes, and may thereafter pay, if it so desires, dividends not exceeding 7 per cent. per annum. All surplus derived from the rates then remaining shall be used to meet deficits in expense items mentioned above or be carried in cash or liquid securities until further consideration by the Commission.

It is further ordered, That dividends which may be paid shall be limited to the present outstanding stock until such

C. L. 88]

time as the company shall on application present evidence as to further property values on which returns to stockholders are proper.

Made and entered at Lincoln, Nebraska, this fifteenth day of February, 1919.

In re APPLICATION OF NORTHERN TELEPHONE COMPANY FOR
APPROVAL OF INSTALLATION AND REMOVAL CHARGES.

Application No. 3778.

Decided February 19, 1919.

**Installation Charge Prescribed by Order No. 1931 of Postmaster General
Not Approved.**

RULING.

Regarding your application to have approved by this Commission, the installation and moving charges of the Postmaster General; the Commission does not in this instance, and it has not in any other, approved the installation charges of the Postmaster General. It will not, however, interfere with the collection of those rates while the action in court is pending.

February 19, 1919.*

In re APPLICATION OF KEARNEY TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Application No. 3748.

Decided February 20, 1919.

**Increase in Business, Residence, Switching and Toll Rates Authorized —
Allowance of 10 Per Cent. for Maintenance and Reserve for
Depreciation, Made — Use of Reserve for Depreciation
Fund Outlined.**

Applicant sought authority to increase its business rates 50 cents per month, its residence rates 25 cents per month, its switching rates 15 cents

* Letter of secretary of Nebraska State Railway Commission to Mr. G. A. Salisbury, manager of Northern Telephone Company, Creighton, Nebraska, February 19, 1919.

per month and its toll rates 25 per cent. Applicant also sought to substitute for the free interchange of service being furnished between the Kearney exchange and the Gibbon exchange of the Farmers Home Telephone Company, a toll charge.

The Commission found that the total revenues for the month of September, 1918, were \$4,082 and the operating expenses, including taxes and some allowance for reserve for depreciation, were \$3,054.61, leaving \$1,027.39 as net income; that, on this basis, the net income would, after paying the interest on the bonds and dividends on the preferred stock at the rate of 6 per cent., leave a surplus of \$364.05 for the month, or \$4,368 for the year, which would be only about $4\frac{1}{2}$ per cent. on the outstanding common stock. If the allowance for maintenance and reserve for depreciation should be increased to 10 per cent. of the reproduction cost new, of \$222,130.75, which the Commission considered a reasonable allowance, there would be set aside for depreciation approximately \$600 per month more than was allowed by the company and this alone was sufficient to overcome the surplus of \$364.05 referred to above and create a deficit even without considering the increases in wages which were a practical certainty, and other expenses in the form of increased federal taxes, increases in insurance, etc.

Held: That the increase asked for was necessary in order to pay the increased operating expense and interest on the bonds and dividends on its stock, and therefore, the proposed rates should be authorized, but in view of the present abnormal conditions as to labor and material, the rates approved should be temporary only and before any rates were made permanent a further investigation should be had; therefore, the rates would be made effective for six months only and should be continued in effect only upon proper showing by the company;

That applicant should be authorized to increase its toll rates 25 per cent. as the Nebraska Telephone Company, with which the applicant was connected for toll service, had recently been granted an increase of 25 per cent. in its toll rates, so that at the present the rates charged by the Kearney company on outgoing messages from its exchanges did not correspond with the incoming messages for the same distance to these exchanges and this conflict of rates should be removed and the rates made uniform as would be done by the increase proposed by the applicant;

That applicant should be authorized to discontinue the free service furnished between its Kearney exchange and the Gibbon exchange of the Farmers Home Telephone Company and should be authorized to assess the regular toll rates for such service as the present free service resulted in delayed service due to the overloading of the trunk lines between the exchanges by traffic which consisted very largely of unimportant visiting calls which the operating companies were unable to prevent or police;

That the revenues derived from the rates approved in this case, plus 25 per cent. of all revenues derived from applicant's toll business originat-

C. L. 88]

ing at said exchanges respectively, and all other revenues of said exchanges should be used and expended only (a) in defraying the cost of operating said exchanges respectively, including taxes, insurance, losses, damages and general expense, (b) in defraying the cost of maintaining said exchanges in an efficient operating condition and creating a reserve for unrealized depreciation, the combined amount of which should be 10 per cent. per annum on the fixed capital invested by applicant in said properties, (c) in paying interest on applicant's outstanding bonds and dividends not to exceed 6 per cent. upon the outstanding preferred stock, (d) the remainder of said local exchange revenues, if any, to be credited to a surplus account for the purpose of paying any deficit that might arise in the discharge of any of the requirements above mentioned;

That all charges to applicant's reserve for depreciation fund should be the full cost of replacements made in kind, less salvage values of the property displaced; where replacements were not made in kind the basis of charge should be the reproduction new value of the property displaced as at the time of the purchase of the property installed, and the difference between that cost and the cost of the property installed should be debited or credited to plant account according as the cost of the property installed should be above or below the estimated reproduction new value of the property displaced. No other charge of any nature should be made to said fund and particularly no cost incurred in the consolidation of plants or properties other than replacement costs of property constituting a part of the property owned by the applicant in the first instance.

FINDINGS.

Applicant operates a telephone system in Buffalo County consisting of three exchanges, viz., Kearney, Riverdale, and Sumner. It serves a total of 2,346 stations, 368 of which are on lines owned by farmers and switched by the company. The application is for authority to increase business rates 50 cents per month, residence rates 25 cents per month, and switching charges 15 cents per month. The company also desires to discontinue free service from the subscribers on its Riverdale exchange to the subscribers on the Kearney exchange residing within the city limits of Kearney, and the free service furnished between the Kearney exchange and the Gibbon exchange of the Farmers Home Telephone Company.

Notices of this application and the hearing to be held thereon were furnished to all of the papers of Kearney,

the chairman of the village board at Riverdale. and at Gibbon, the Union Valley Telephone Company, and the Farmers Home Telephone Company of Gibbon. At the conclusion of the hearing, counsel for the city of Kearney asked for a continuance, which request was joined in by the representative of the patrons of Riverdale. At that time it was arranged that a second hearing would be held at Kearney. Subsequently, however, the company withdrew that portion of its application regarding the discontinuance of free service from Riverdale. This prompted the Riverdale patrons to abandon their request for a second hearing, although they desired to be registered as protesting against the arrangement of the lines of the company and against the service now being rendered. Upon withdrawal of the request of the Riverdale patrons for a second hearing, the matter was taken up by telephone by the Commission with the city attorney of Kearney, who, after consulting with the mayor, advised that they did not desire a further hearing and were content to have the matter submitted on the record as it stood. The matter was then taken up with the commercial club, and the vice president of that organization joined in the conclusion reached by the city authorities. The representatives of the village of Gibbon stated at the hearing that he was not authorized to ask for further hearing, although he requested that such a hearing be had.

We recite the above facts with reference to the second hearing in order that it may be made clear that action is not being taken by this Commission without full notice being had by the parties at interest. We thus proceed to the consideration of the record as it stands.

In support of its application for an increase in its rates, the company alleges that its operating expenses have been materially increased in the past eighteen months and that they are likely to be further increased within the next year. In support of this contention, they submitted a number of statements. The largest increase in expenses has been in wages paid to employees, and as evidence of that increase

C. L. 88]

the following comparison of wages paid during the month of July, 1916, and the month of November, 1918, is offered:

	<i>July 1, 1916</i>		<i>November 1, 1918</i>		<i>Increase, Per Cent.</i>
Manager.....	1 at	\$125 00. \$125 00	1 at	\$175 00. \$175 00	40
Accountant.....	1 at	40 00. 40 00	1 at	65 00. 65 00	62
Cashier.....	1 at	50 00. 50 00	1 at	65 00. 65 00	30
Billing clerk.....	1 at	40 00. 40 00	1 at	60 00. 60 00	50
Chief operator.....	1 at	40 00. 40 00	1 at	57 00. 57 00	42
Assistant chief operator.....	1 at	30 00. 30 00	1 at	45 60. 45 60	50
First-class operator.....	6 at	27 50. 165 00	6 at	42 18. 253 08	53
Second-class operator.....	4 at	25 00. 100 00	4 at	37 62. 150 48	50
Third-class operator.....	3 at	22 50. 67 50	3 at	33 06. 99 18	46
Student.....	2 at	18 00. 36 00	2 at	28 50. 57 00	58
Wire chief.....	1 at	80 00. 80 00	1 at	90 00. 90 00	12
Testman.....	1 at	40 00. 40 00	1 at	50 00. 50 00	22
Janitress.....	1 at	30 00. 30 00	1 at	30 00. 30 00	00
Fireman.....	None.....		1 at	25 00. 25 00	100
Repairman.....	2 at	65 00. 130 00	2 at	80 00. 160 00	23
Combination man.....	1 at	65 00. 65 00	1 at	80 00. 80 00	23
Installer.....	1 at	65 00. 65 00	1 at	80 00. 80 00	23
Student.....	1 at	20 00. 20 00	1 at	30 00. 30 00	50
TOTAL.....		\$1,123 50		\$1,572 34	40

The net increase in wages within the two periods shown amounts to approximately \$450 per month, or an average of 40 per cent. It is claimed further by the company that still further increases must necessarily be made. Companies operating in nearby territory have granted increases to their employees so that the wages paid exceed those now paid to certain classes of employees of applicant. Applicant expects to have to bring its wages to the level of that in the surrounding territory, and it is estimated that the increase will reach at least \$2,000 a year.

Materials entering into the construction and repair of telephone property have very materially increased, the increase running from 5 to 60 per cent. The Commission has taken cognizance of this increase in other cases by increasing the allowance permitted to be charged against earnings for maintenance and depreciation. In normal

times this allowance was fixed at 8 or 9 per cent. of the reproduction value of the property. In this instance we are of the opinion that an allowance of 10 per cent. should be made.

The operating statement of the company as to revenues and expenses for the month of September, 1918, is as follows:

<i>Revenues:</i>		
Subscribers' stations	\$3,372 00	
Toll revenue	710 00	
	<hr/>	
TOTAL		\$4,082 00
<i>Expenses:</i>		
Operation	\$1,694 61	
Taxes	110 00	
	<hr/>	
TOTAL		\$1,804 61
<i>Maintenance:</i>		
Current maintenance	\$497 61	
Depreciation	752 39	
	<hr/>	
TOTAL		1,250 00
	<hr/>	
TOTAL		3,054 61
	<hr/>	
NET INCOME		\$1,027 39

The company has outstanding common stock in the amount of \$89,650, preferred stock in the amount of \$50,000, and bonds in the amount of \$80,000. Allowing interest on the bonds in the amount of \$413.34 for the month of September, and dividends on preferred stock at the rate of 6 per cent., or \$250 for the month, we have remaining a surplus of \$364.05 for the month, or \$4,368 for the year. This will amount to about 4½ per cent. on the outstanding common stock. As stated in the foregoing, however, the allowance for maintenance and depreciation should be increased to the basis of 10 per cent. on the reproduction new value of the property, which, for the purpose of this

C. L. 88]

case, we find is \$222,130.75. On this basis there should be set aside annually from the earnings of the company \$22,213 for the purpose of maintenance and depreciation. This amounts to \$1,852 per month, or approximately \$600 more than was allowed by the company in the month of September. This much alone is sufficient to overcome the surplus and create a deficit. It does not take into account the increase in wages of \$2,000, which is a practical certainty, nor does it take into account a number of other expenses in the form of increased federal taxes, increases in insurance, and a number of items not shown in the expense statement, but which appear to be legitimate charges against revenues. It is further to be noted that the statement of expense for September does not include an increase of wages granted to the employees in the month of November. This increase was substantial and would materially reduce the surplus as shown for the month.

It is not necessary for the purposes of this case, in view of the showing presented, to determine the investment value in the common stock of the company. There can be no question that the bonds and preferred stock represent an actual investment in the property by the owners, and it is altogether probable that the sacrifice of the stockholders is sufficiently large to represent a considerable portion, if not all of the outstanding common stock.

The increases proposed will produce additional revenue from exchange subscribers in the amount of approximately \$5,000 annually. The increase of 25 per cent. in toll will be approximately \$2,000 annually, making a total increase of slightly over \$7,000 per year. In this connection it should be said that the Nebraska Telephone Company, with which the applicant is connected for toll service, was recently granted an increase of 25 per cent. in its toll rates, so that at the present time rates charged by the Kearney company on outgoing messages from its exchanges do not correspond with the incoming messages for the same distance to these exchanges. This conflict of rates should be

removed and the rates be made uniform, as they will be by the increase proposed by applicant.

From the showing, as submitted, it would appear that the increase asked for is necessary in order to pay the increased operating expenses of the company and its interest on the bonds and dividends on its preferred stock. The Commission, therefore, finds the rates proposed to be reasonable. In view of the present abnormal conditions as to labor and material, however, the Commission is of the opinion that the rates to be approved should be temporary only and that before any rates are made permanent a further investigation should be had. For that reason these rates will be made effective for six months only, the order to be extended upon proper showing by the company.

As previously stated, applicant desires to discontinue free service between Kearney and Gibbon. Protest against the discontinuance of this service was registered by the people of Gibbon. The Farmers Home Telephone Company, however, which operates the exchange at Gibbon and with which connection with Kearney is established, offers no objection to the change in service. It is urged on behalf of the Gibbon patrons that the free service to Kearney is very much desired for the reason that Kearney is the county seat of the county in which Gibbon is located, and that it is necessary for business men to frequently transact business over the telephone with the county authorities. It is also urged that people living midway between Kearney and Gibbon and trading at both towns desire service with both exchanges, and that farmers residing in the same neighborhood, some of whom are on the Kearney exchange and some on the Gibbon exchange, desire free communication with each other. There is force to these objections, particularly to the one with reference to neighboring farmers. It appears to the Commission, however, that the disadvantages to the public outweigh the advantages. There are two trunk lines operated between Kearney and Gibbon, one owned by the applicant

C. L. 88]

and the other by the Nebraska Telephone Company, the latter being used as a toll line. Applicant, however, has an arrangement with the Nebraska company whereby it makes use of the toll line between Kearney and Gibbon whenever it desires. This line is quite frequently used to transmit free messages when the other line is overloaded and this use of the through toll line seriously interferes with the toll service furnished in and out of Kearney. The other trunk line is overloaded all the time so that service over it is slow and greatly delayed. As usual in such instances, the traffic consists very largely of unimportant visiting calls, which the operating companies are unable to prevent or police. So long as unlimited free service is furnished, prompt transmission of messages will be impossible. Because of these service conditions, the Commission is of the opinion that the traffic should be put upon the regular message basis. It is suggested, however, that the two companies involved establish a zone covering the farm neighborhoods referred to so that farmers living contiguous to each other can have communication between themselves without paying a toll rate. This doubtless can be arranged by selecting certain farm lines running out from either exchange and extending the free service to them.

ORDER.

It is, therefore, ordered, That the Kearney Telephone Company be, and the same hereby is, authorized and directed to publish and charge the following schedule of rates for a period of six months from the date of this order on its exchanges at Kearney, Riverdale and Sumner, to-wit:

	<i>Per Month</i>
Individual business	\$3 75
Two-party business	3 25
Individual residence	2 25
Two-party residence	2 00
Four-party residence	1 75
Switching service	50

The above rates are to be subject to all the rules with reference to discounts, etc., now on file with this Commission.

It is further ordered, That the Kearney Telephone Company be, and the same hereby is, authorized to publish and collect toll rates for service upon its toll system 25 per cent. in excess of the rates now charged and collected for such service.

It is further ordered, That the Kearney Telephone Company be, and the same hereby is, authorized to discontinue the free service now furnished between Kearney and Gibbon and to assess the regular toll rates for such service.

It is further ordered, That the revenues derived from the rates herein approved, plus 25 per cent. of all revenue derived from applicant's toll business originating at said exchanges respectively, and all other revenues of said exchanges, shall be used and expended only as follows, to-wit:

1. In defraying the cost of operating said exchange properties respectively, including taxes, insurance, losses, damages and general expenses.

2. In defraying the cost of maintaining said exchange properties, respectively, in an efficient operating condition and for creating a reserve for unrealized depreciation, the combined amount of which shall be 10 per cent. per annum of the fixed capital invested by applicant in said properties, respectively.

3. In paying interest on applicant's outstanding bonds and dividends, not to exceed 6 per cent. upon the outstanding preferred stock.

4. The remainder of said local exchange revenues, if any, shall be credited to a surplus account for the purpose of paying any deficit that may arise in the discharge of any of the requirements above mentioned.

It is further ordered, That the basis of all charges to applicant's Reserve for Accrued Depreciation fund shall be the full cost of replacements made in kind, less salvage

C. L. 88]

values of the property displaced. Where replacements are not made in kind the basis of charge shall be the reproduction new value of the property displaced as of the time of the purchase of the property installed; and the difference between that cost and the cost of the property installed shall be debited or credited to plant account according as the cost of the property installed shall be above or below the estimated reproduction new value of the property displaced. No other charges of any nature shall be made to said fund, and particularly, no costs incurred in the consolidation of plants or properties other than replacement costs of property constituting a part of the property owned by applicant in the first instance.

It is further ordered, That the exchange and toll rates hereby superseded shall be restored and again become effective on September 1, 1919, unless otherwise ordered by the Commission prior to said date, and that jurisdiction of the instant matter be retained for all purposes within the issues thereof.

This order to become effective on and after March 1, 1919.

Made and entered at Lincoln, Nebraska, this twentieth day of February, 1919.

NEW HAMPSHIRE.

Public Service Commission.

In re PETITION OF CONNECTICUT VALLEY TELEPHONE COMPANY, INC. AND BRADFORD TELEPHONE AND TELEGRAPH COMPANY (JOHN B. HAY, PROPRIETOR), FOR AUTHORITY TO PURCHASE AND SELL PROPERTY.

D-508.

Decided February 27, 1919.

Sale of Property Authorized — Combination of Small Telephone Companies into Larger and More Efficient Companies Approved.

REPORT.

The Connecticut Valley Telephone Company, Inc., is a corporation duly organized under the laws of the State of Vermont and operating a telephone plant and system in the States of Vermont and New Hampshire; and John B. Hay, under the style of the Bradford Telephone and Telegraph Company, also conducts a telephone business in the aforesaid two States.

This petition sets forth that the said Connecticut Valley Telephone Company, Inc., and the said John B. Hay, have mutually agreed, subject to the approval of the Public Service Commissions of Vermont and New Hampshire, the former to purchase and acquire, and the latter to sell and transfer, all of the latter's telephone plant, property, and vendible rights in the towns of Haverhill and Piermont in the State of New Hampshire, and in the towns of Bradford, Fairlee and Newbury, in the State of Vermont, for the sum of \$17,500; that the property proposed to be purchased from said John B. Hay by the Connecticut Valley Telephone Company, Inc., within the State of New Hampshire is of the value of \$1,500, as set forth and described in detail in the proposed bill of sale attached to the peti-

C. L. 88]

tion; that the said property of John B. Hay is reasonably required for the use of said Connecticut Valley Telephone Company, Inc., in the conduct of the proposed business in the aforesaid towns now being served by said John B. Hay: that the welfare and convenience of the public will be promoted by the purchase of said property and by the operation thereof by the said Connecticut company.

In this petition the Connecticut company and John B. Hay ask the Commission to approve the sale and transfer of all the telephone property, rights and franchises of the said John B. Hay, located in said towns of Haverhill and Piermont, to the said Connecticut company for the purchase price of \$1,500.

A certified copy of the votes of the stockholders of the Connecticut company authorizing the purchase of all the telephone property of the said John B. Hay, subject to the approval of the Public Service Commissions of the States of Vermont and New Hampshire, was filed with the Commission on January 14, 1919. The aforesaid telephone property of John B. Hay, located in the towns of Haverhill and Piermont, was inventoried and valued by G. F. Hagerman, valuation expert of the New England Telephone and Telegraph Company. Our engineering department has checked up the prices and approves the valuation.

This petition also asks for authority to the Connecticut company to conduct a telephone business in the towns in New Hampshire now served by John B. Hay.

It is clearly for the public good to have combinations of the smaller telephone companies up to the point where competent operatives, linemen, etc., may be always available to secure to the public a reasonably efficient service.

The Commission finds that it is for the public good that this petition be granted and an order will issue accordingly.

ORDER.

Upon consideration of the foregoing report, which is made a part hereof,

It is ordered, That the assent of this Commission be, and hereby is, granted to John B. Hay to sell and transfer to the Connecticut Valley Telephone Company, Inc., for the sum of \$1,500 all his telephone properties, rights, and franchises situated in the towns of Haverhill and Piermont, New Hampshire, and operated under the name of the Bradford Telephone and Telegraph Company, and

It is further ordered, That the assent of this Commission be, and hereby is, granted to the Connecticut Valley Telephone Company, Inc., to purchase for the sum of \$1,500 all the telephone properties, rights and franchises situated in the towns of Haverhill and Piermont, in said State, operated under the name of the Bradford Telephone and Telegraph Company, and belonging to said John B. Hay, and

It is further ordered, That the said Connecticut Valley Telephone Company, Inc., be, and hereby is, authorized to engage in and conduct a telephone business in said towns of Haverhill and Piermont, New Hampshire.

By order of the Public Service Commission this twenty-seventh day of February, 1919.

In re PETITION OF CONNECTICUT VALLEY TELEPHONE COMPANY, INC., FOR AUTHORITY TO ISSUE BONDS.

D-509.

Decided February 27, 1919.

Issue, by Foreign Corporation of 5 Per Cent., Twenty-Year Debenture Bonds for Acquisition of Property Within State, Authorized.

REPORT.

This petition is supplementary to the petition immediately preceding, having for its object to provide for the payment of the purchase price in the sale authorized in the immediately preceding order.

The preceding report and order are made a part hereof.

C. L. 88]

In this petition the Connecticut Valley Telephone Company, Inc., asks for authority to issue fifteen 5 per cent. twenty-year debenture bonds of the par value of \$100 each, to be used solely for the acquisition of said telephone property of John B. Hay.

The Commission finds that it is for the public good that this petition be granted, and an order will issue accordingly.

ORDER.

Upon consideration of the foregoing report, which is made a part hereof,

It is ordered, That the Connecticut Valley Telephone Company, Inc., be, and hereby is, authorized to issue fifteen of its 5 per cent. twenty-year debenture bonds of the par value of \$100 each, to be issued at par, and

It is further ordered, That the proceeds of said bonds shall be used only in payment for said property, rights and franchises purchased of the said John B. Hay, and

It is further ordered, That on July first and January first in each year said corporation shall file with this Commission a detailed account, duly sworn to by its treasurer, showing the disposition of the proceeds of said bonds till the expenditure of the whole of said proceeds shall have been fully accounted for.

By order of the Public Service Commission this twenty-seventh day of February, 1919.*

* In January, 1919, the Supreme Court of New Hampshire, in *Re Fryeburg Water Company*, held that the Public Service Commission was without power or jurisdiction to pass on proposed issue of stock dividend by foreign corporation doing business in New Hampshire, notwithstanding language of statute.

In re PETITION OF THE WHITE MOUNTAIN TELEPHONE AND TELEGRAPH COMPANY AND WALBRIDGE TELEPHONE LINES (NEWTON LANG, PROPRIETOR), FOR AUTHORITY TO PURCHASE AND SELL PROPERTY.

D-514.

Decided February 27, 1919.

Sale of Property Transferred by Order of Court in Bankruptcy Proceedings, Approved — Present Voluntary Sale Approved.

REPORT.

This petition was filed on December 17, 1918, and a hearing was held thereon January 7, 1919.

The petition alleges that the White Mountain Telephone and Telegraph Company and Newton Lang, doing business as the Walbridge Telephone Lines, have mutually agreed, subject to the approval of this Commission, said White Mountain company to purchase and acquire for cash, and said Newton Lang to sell and transfer, all of the latter's telephone plant, property, and vendible rights in the towns of Bath, Haverhill and Monroe, in the State of New Hampshire, and in the towns of Barnet, Newbury, and Ryegate in the State of Vermont, for the sum of \$2,700; that the property proposed to be purchased from said Newton Lang by the said White Mountain company within the State of New Hampshire is of the value of \$1,725; as set forth in detail in the proposed bill of sale attached to this petition: that said property of Newton Lang is reasonably required for the use of the said White Mountain company in the conduct of its proposed business in the aforesaid towns now being served by said Newton Lang, and that the welfare and convenience of the public will be promoted by the purchase of said property and by the operation thereof by said White Mountain company.

This petition asks that the said mutual agreement be approved and its execution authorized by this Commission, and that authority be granted to the White Mountain com-

pany to conduct a telephone business in the towns of Bath, Haverhill and Monroe.

In the consideration of this case it developed that the property here proposed to be transferred had been sold to said Newton Lang by Charles H. Hosford, trustee in bankruptcy of the estate of Frank L. Walbridge, by order of the court and without applying to this Commission for approval thereof. In order to place beyond question the validity of the title of said Lang, request was filed as a part of this case that the transfer made in the said bankrupt sale be approved by this Commission. It appears to be clear that the said transfer of the Walbridge Telephone Lines to Newton Lang was for the public good, and approval will be given as a part of the order in this case.

Evidence was presented showing that the agreement to purchase had been duly authorized by the White Mountain company, and that due notice had been given of the hearing.

Appended to the petition was an inventory and valuation made by G. F. Hagerman, valuation expert of the New England Telephone and Telegraph Company. The unit prices used have been checked up by our engineering department and found to be satisfactory.

This is another step in the direction of replacing a large number of small independent telephone companies by a less number of larger and more efficient companies. Such combinations result in more satisfactory telephone service.

We find that it is for the public good that this petition be granted and an order will issue accordingly.

ORDER.

Upon consideration of the foregoing report, which is made a part hereof,

It is ordered, That the Commission hereby approves the sale and transfer of the Walbridge Telephone Lines by Charles H. Hosford, trustee in bankruptcy, to Newton Lang, and

It is further ordered, That authority be, and hereby is, granted to the White Mountain Telephone and Telegraph Company to purchase for \$1,725 in cash, and to said Newton Lang, doing business as the Walbridge Telephone Lines, to sell and transfer for the sum of \$1,725 in cash, all of the latter's telephone plant, property, and vendible rights in the State of New Hampshire, and

It is further ordered, That authority be, and hereby is, granted to said White Mountain Telephone and Telegraph Company to conduct a telephone business in the towns of Bath, Haverhill, and Monroe, in said State, which are now served by the said Newton Lang.

By order of the Public Service Commission this twenty-seventh day of February, 1919.

NEW YORK.

Public Service Commission — Second District.

M. TANENBAUM *et al.* v. A. S. BURLESON, POSTMASTER
GENERAL, AND NEW YORK TELEPHONE COMPANY.

Decided January 30, 1919.

**Discontinuance of "Readiness to Serve or Installation Charge" if
Not Paid or Refund Thereof if Paid, Ordered.**

OPINION.

These complaints are against various charges and refusals of service, growing out of the so-called Installation Charge Order No. 1931, issued by the Postmaster General on August 28, 1918, and put into effect by the New York Telephone Company on September 1, 1918. On July 22, 1918, the President of the United States had by his proclamation of that date taken possession and assumed the "supervision, possession, control and operation" of "each and every telegraph and telephone system and every part thereof within the jurisdiction of the United States, including all equipment thereof and appurtenances thereto whatsoever and all materials and supplies," and had directed that such supervision, possession, control and operation should be exercised through the Postmaster General, Albert S. Burleson. The New York Telephone Company, respondent, was at the time a domestic corporation of the State of New York operating in the city of New York, and came within the effect of the proclamation.

Under the provisions of the Public Service Commissions Law of the State of New York, the respondent could not lawfully initiate the charges in question except by filing with the Commission a tariff setting them forth with particularity and stating an effective date for the same not

earlier than thirty days from the filing; such tariff charges would thereupon become subject to complaint and to investigation and determination by the Commission. The company did not file any such tariff and justifies under the action of the Postmaster General, alleging that he has taken possession and control of its lines and system and that the charges and refusals of service alleged in the various complaints were made in accordance with the provisions and terms of said Order No. 1931, which reads as follows:

Owing to the necessity for conserving labor and material and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installation; also a charge for all changes in location of telephone.

Installation charges to be as follows:

Where the rate is \$2.00 a month or less.....	\$5 00
Where the rate is more than \$2.00 but not exceeding \$4.00 a month	10 00
Where the rate is more than \$4.00 a month.....	15 00

The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change.

In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that "until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels," in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible. In all cases, however, where rates are changed, such changes should be submitted to me for approval before being placed in effect.

It will be noted that the nature of the services affected by this order is purely local and can have no interstate character whatever. The Postmaster General was made a party to the complaints but did not appear. That official has ignored the jurisdiction of the Commission and is proceeding on the assumption that his possession and control under the President's proclamation have the legal effect of abolishing and excluding the jurisdiction of the Commission, which was conferred by State laws. If this is the

C. L. 88]

effect of the President's action, the Commission is without power to entertain the complaints and they must be dismissed. If, on the other hand, the jurisdiction of the Commission over the charges and refusals in question has survived, then the complaints must be sustained because the charges in question have not been legally initiated and are therefore unlawful. The war is now over and it is apparent that this purely legal question must be met and settled by the courts in order that the respective federal and state authorities may know the limits of their power and that the public as well as the telephone companies may know where the control of rates legally rests.

This same question has been presented through the action of the Postmaster General in assuming to put into effect as of January 21 increased toll rates affecting generally the wire lines of the entire country and including both intrastate and interstate communication. Various state commissions, including this Commission, are taking proceedings in the courts to contest the power of the Postmaster General to initiate such rates as to intrastate business. Pending the decision of this question this Commission will not feel justified in conceding to the Postmaster General any power over intrastate rates or service. That is its position with regard to these complaints, which are accordingly sustained, and orders will be entered to that effect.

*Complaint of M. Tanenbaum.**

ORDER.

This complaint having been filed with this Commission on November 1, 1918, and copies having been served on the Postmaster General (in charge of telephone companies under order of the President), and on New York Telephone Company, said company answering but no answer being received from the Postmaster General; and a public hearing in the matter having been held by Chairman Hill of this Commission in New York City on December 16, at

* Case No. 6654.

which those named above appeared; and it appearing from the complaint and answer and evidence and statements at the hearing that when complainant, in September, 1916, sought to have restored in his residence at No. 31 West 75th Street, New York City, telephone service which had been discontinued during the summer while his residence was closed, he was met by a demand of the New York Telephone Company that he pay, in addition to regular rental charge, \$30.00 in respect to the telephone and extension stations used by him before discontinuance for the summer, and that this payment was demanded under an order of the Postmaster General which designates it as "a readiness to serve or installation charge;" and it appearing that complainant objects to such charge; and it appearing that no schedule was on file with this Commission showing such charge and that, therefore, it was unlawful, under the provisions of Section 92, Public Service Commissions Law requiring the filing with this Commission by telephone companies of schedules of rates and charges, and providing that

"Such schedule * * * shall also state separately all charges * * * and any rules or regulations or forms of contract which may in any wise change, effect or determine any or the aggregate of the rates, rentals or charges for the service rendered," and that

"Unless the Commission otherwise orders (which was not done in this case) no change shall be made in any rate, charge or rental * * * which shall have been filed by a * * * telephone corporation * * * except after thirty days' notice to the Commission," and that

"No * * * telephone corporation shall charge, demand, collect or receive a different compensation for any service rendered or to be rendered than the charge applicable to such service as specified in its schedule on file and in effect at that time;"

and it being thus unnecessary in this proceeding for this Commission to determine whether or not such charge is reasonable; now, after due consideration, and for the reason stated in this order and in the opinion of the Commission of this date in this and similar complaints,

It is ordered, That New York Telephone Company shall at once discontinue the charge of \$30.00 made to this complainant, M. Tanenbaum, in respect to telephone service

C. L. 88]

furnished or to be furnished him at his residence No. 31 West 75th Street, New York City, and which charge is designated by said company as "a readiness to serve or installation charge," or "service connection charge," and that telephone service if not now furnished him at said residence shall be, on prompt application by said M. Tanenbaum, furnished by New York Telephone Company within twenty days from the date of this order, irrespective of said charge of \$30.00; and that if said \$30.00 has been paid New York Telephone Company by M. Tanenbaum it shall be returned to him by said New York Telephone Company within thirty days from the date of this order.

January 30, 1919.*

Complaint of B. Eckstein.†

ORDER.

This complaint having been filed with this Commission on November 2, 1918, and copies having been served on the Postmaster General (in charge of telephone companies under order of the President), and on New York Telephone Company, said company answering but no answer being received from the Postmaster General; and a public hearing in the matter having been held by Chairman Hill of this Commission in New York City on December 16, when it appeared complainant could not appear and at which the company was represented as above; and it being admitted by the company at said hearing that after complainant's telephone had (in October, 1918) been removed from the store at No. 55 West Fordham Road, New York City, to the store at No. 57 West Fordham Road, he was met by a demand of the New York Telephone Company that he pay, in addition to regular rental charge, \$10.00, and that this payment was demanded under an order of the Postmaster

* A similar order was issued on the same date in Case No. 6658, *Henry A. Rubino v. A. S. Burleson, Postmaster General, and New York Telephone Company.*

† Case No. 6657.

General which designates it as "a readiness to serve or installation charge"; and it appearing that complainant objects to such charge; and it appearing that no schedule was on file with this Commission showing such charge and that, therefore, it was unlawful under the provisions of Section 92, Public Service Commissions Law, requiring the filing with this Commission by telephone companies of schedules of rates and charges, and providing that

"Such schedule . . . shall also state separately all charges . . . and any rules or regulations or forms of contract which may in any wise change, affect or determine any or the aggregate of the rates, rentals or charges for the service rendered," and that

"Unless the Commission otherwise orders (which was not done in this case) no change shall be made in any rate, charge or rental . . . which shall have been filed by a . . . telephone corporation . . . except after thirty days' notice to the Commission," and that

"No . . . telephone corporation shall charge, demand, collect or receive a different compensation for any service rendered or to be rendered than the charge applicable to such service as specified in its schedule on file and in effect at that time;"

and it being thus unnecessary in this proceeding for this Commission to determine whether or not such charge is reasonable, now, after due consideration, and for the reason stated in this order and in the opinion of the Commission of this date in this and similar complaints,

It is ordered, That New York Telephone Company shall at once discontinue the charge of \$10.00 made to this complainant, B. Eckstein, in respect to telephone service furnished him at the store No. 57 West Fordham Road, New York City, and which charge is designated by said company as "a readiness to serve or installation charge" or "service connection charge," and that if said \$10.00 has been paid New York Telephone Company by B. Eckstein, it shall be returned to him by said New York Telephone Company within thirty days from the date of this order.

January 30, 1919.*

* A similar order was entered on the same date in Case No. 6734, *Samuel A. Cohen v. A. S. Burleson, Postmaster General, and New York Telephone Company*.

*Complaint of Arthur Selig.**

ORDER.

This complaint having been filed with this Commission on October 29, 1918, and copies having been served on the Postmaster General (in charge of telephone companies under order of the President), and on New York Telephone Company, said company answering, but no answer being received from the Postmaster General; and a public hearing in the matter having been held by Chairman Hill of this Commission in New York City on December 16, at which those named above appeared; and it appearing from the complaint and answer and evidence and statements at the hearing that after complainant had (in September, 1918) in the usual way received telephone service in his residence 100 Morningside Drive, New York City, after the usual application and upon payment by complainant in advance of the regular rental for such service as he applied for, the New York Telephone Company in October (after it had been furnishing the service for a number of weeks) demanded that he pay, in addition to the regular rental charge already paid, \$10.00 in respect to the telephone used by him and that this payment was demanded under an order of the Postmaster General which designates it as "a readiness to serve or installation charge;" and it appearing that complainant objects to such charge, which he paid; and it appearing that no schedule was on file with this Commission showing such charge and that, therefore, it was unlawful, under the provisions of Section 92, Public Service Commissions Law, requiring the filing with this Commission by telephone companies of schedules of rates and charges and providing that

"Such schedule * * * shall also state separately all charges * * * and any rules or regulations or forms of contract which may in any wise change, affect or determine any or the aggregate of the rates, rentals or charges for the service rendered," and that

"Unless the Commission otherwise orders (which was not done in this case) no change shall be made in any rate, charge or rental * * *

* Case No. 6655.

which shall have been filed by a * * * telephone corporation * * * except after thirty days' notice to the Commission," and that

"No * * * telephone corporation shall charge, demand, collect or receive a different compensation for any service rendered or to be rendered than the charge applicable to such service as specified in its schedule on file and in effect at that time;"

and it being thus unnecessary in this proceeding for this Commission to determine whether or not such charge is reasonable; now, after due consideration, and for the reason stated in this order and in the opinion of the Commission of this date in this and similar complaints,

It is ordered, That New York Telephone Company shall within thirty days from the date of this order return to complainant, Arthur Selig, \$10.00 which said Selig has paid said company on its demand in respect to the telephone used by him in his residence, 100 Morningside Drive, New York City, and which charge is designated by said company as "a readiness to serve or installation charge" or "service connection charge."

January 30, 1919.*

Complaint of Joseph M. Hoffman.†

ORDER.

This complaint being known as CC-A 5777 being filed with this Commission, and the New York Telephone Company having informally answered, and it having been heard by Chairman Hill of this Commission in New York City on December 16, 1918, at which those named above appeared; and it appearing from evidence and statements at the hearing that when complainant (in September, 1918),

* On the same date a similar order was issued in Case No. 6656, *H. H. Boyd v. A. S. Burleson, Postmaster General, and New York Telephone Company*. In Case No. 6674, *Mrs. A. M. White v. A. S. Burleson, Postmaster General, and New York Telephone Company*, the Commission ordered the telephone company to discontinue the "readiness to serve or installation charge" of \$10.00, if said charge had not been paid, and to refund it if paid.

† Case No. 6733.

C. L. 88]

sought to have one name (of a person who had died) eliminated from the telephone directory in respect to telephone No. 3182, South, Brooklyn (the effect being to put the contract for the telephone in complainant's name instead of in the name of the person who had died), he was met by a demand of the New York Telephone Company that he pay, in addition to regular rental charge, \$3.00 for such change and that this payment was demanded under an order of the Postmaster General which designates it as "a readiness to serve or installation charge"; and it appearing that complainant objects to such charge, which he paid; and it appearing that no schedule was on file with this Commission showing such charge and that, therefore, it was unlawful, under the provisions of Section 92, Public Service Commissions Law, requiring the filing with this Commission by telephone companies of schedules of rates and charges, and providing that

"Such schedule * * * shall also state separately all charges * * * and any rules or regulations or forms of contract which may in any wise change, affect or determine any or the aggregate of the rates, rentals or charges for the service rendered," and that

"Unless the Commission otherwise orders (which was not done in this case) no change shall be made in any rate, charge or rental * * * which shall have been filed by a * * * telephone corporation * * * except after thirty days' notice to the Commission," and that

"No * * * telephone corporation shall charge, demand, collect or receive a different compensation for any service rendered or to be rendered than the charge applicable to such service as specified in its schedule on file and in effect at that time;"

and it being thus unnecessary in this proceeding for this Commission to determine whether or not such charge is reasonable; now, after due consideration, and for the reason stated in this order and in the opinion of the Commission of this date in this and similar complaints,

It is ordered, That New York Telephone Company shall, within thirty days from the date of this order, return to complainant, Joseph M. Hoffman, \$3.00 which said Hoffman has paid said company on its demand in respect to

change of name of subscriber to telephone South, No. 3182, Brooklyn, and which charge is designated by said company as "a readiness to serve or installation charge" or "service connection charge."

Decided January 30, 1919.

In re PETITION OF WATERVILLE TELEPHONE COMPANY FOR
AUTHORITY TO ISSUE BONDS.

Case No. 6716.

Decided February 18, 1919.

**Execution of Mortgage by Domestic Corporation and Issue Thereunder
of 5 Per Cent. Thirty-Year Bonds to Discharge Outstanding
Notes, Authorized.**

ORDER.

Now, therefore, upon the foregoing record, ordered,

1. That the Waterville Telephone Company is hereby authorized to execute and deliver to the Citizen's Trust Company, of Utica, New York, a corporation organized and existing under the laws of the State of New York, a certain indenture, deed of trust, or mortgage upon all its plant and property, dated the second day of January, 1919, to secure an issue of first mortgage thirty-year bonds to the aggregate amount of \$100,000, face value, bearing interest at the rate of 5 per cent. per annum, a copy of which indenture has been filed with the Commission herein, and that the form thereof so filed is hereby approved; *provided* that said company shall have no right or authority to issue any bonds pursuant to the terms of said mortgage except as herein or hereafter authorized by the Commission.

2. That upon the execution and the delivery of said indenture so authorized there shall be filed with this Commission a copy thereof in the form in which it was executed

C. L. 88]

and delivered, together with an affidavit by the president or other executive officer of the company, stating that the indenture as executed and delivered is the same as that herein approved by the Commission; and no bonds secured thereby shall be issued or sold until the provisions of this clause have been complied with.

3. That the Waterville Telephone Company is hereby authorized to issue \$6,000, face value, of its 5 per cent. thirty-year first mortgage bonds under the aforesaid mortgage.

4. That said bonds of the total face amount of \$6,000 may be sold for not less than 90 per cent. of their face value to realize net proceeds of at least \$5,400.

5. That the proceeds of said bonds so authorized, which shall not be less than \$5,400, shall be used solely and exclusively for the purpose of discharging notes payable to First National Bank of Oriskany Falls due February 10, 1919, or the renewals thereof, \$5,400.

6. That pending the sale of the bonds herein authorized the Waterville Telephone Company may, in the alternative, pledge at not less than 90 per cent. of their face value all or any part of said bonds as collateral security for any of its loans, provided that the following prohibitions are observed:

(a) That the principal of such loans for which said bonds are pledged shall in no event be less than 90 per cent. of the face value of the bonds pledged as collateral security therefor.

(b) That said bonds shall not be pledged for a greater period than one year from the date of this order without the further order of this Commission.

(c) That the actual cost of the money to be procured through the issuance of the short term loans above mentioned shall not be greater than 6 per cent. per annum.

7. That the notes or the proceeds thereof for which bonds herein authorized are pledged as collateral security shall be used solely and exclusively for the purpose for which the bonds or their proceeds are authorized to be used as enumerated in clause No. 5 of this order.

8. That the Waterville Telephone Company shall for each six months' period ending June 30 and December 31 file, not more than thirty days from the end of such period, a verified report which shall show:

- (a) What securities have been sold or pledged during such period.
- (b) The dates of such sales or pledgings.
- (c) To or with whom such securities were sold or pledged.
- (d) What proceeds were realized from such sales or pledgings.
- (e) The principal, term, and interest rate of each loan for which such bonds are pledged.
- (f) The total face value of bonds which remain pledged as collateral security for said loans on the closing date of such period.
- (g) Any other terms and conditions of such transactions.
- (h) In detail the amount of the proceeds of the bonds or loans herein authorized which has been expended during such period for the purpose specified herein.

Such reports shall continue to be filed until all of said securities shall have been sold or pledged and the proceeds expended in accordance with the authority contained herein, and if during any period no securities were sold or pledged or proceeds expended the report shall set forth such fact.

9. That this proceeding is hereby continued upon the records of the Commission until the examination which is to be made of the books, accounts and property of the petitioner herein shall have been concluded and the corrections, if any, which by reason of such examination this Commission shall determine to be proper and necessary, have been made, accepted by the corporation, and entered in the accounts of said company to the satisfaction of the Commission; and this order is expressly conditioned upon acceptance by the corporation of any such determination by the Commission and compliance with any subsequent direction or order of the Commission in the premises.

10. That the authority contained in this order to issue securities is upon the express condition that the petitioner accepts and agrees to comply in good faith with the provisions hereof, and before any securities are issued pursuant hereto, and within thirty days of the service hereof.

C. L. 88]

the company shall advise the Commission whether or not it accepts the same with all its terms and conditions, and such order shall be of no force or effect until such acceptance has been filed.

Finally it is determined and stated, That in the opinion of the Commission the money to be procured by the issue of said securities herein authorized is reasonably required for the purpose specified in this order, and that such purpose is not in whole or in part reasonably chargeable to operating expenses or to income.

February 18, 1919.

NORTH DAKOTA.

Board of Railroad Commissioners.

In re CONSOLIDATION OF THE TELEPHONE EXCHANGES OF THE
NORTHWESTERN TELEPHONE EXCHANGE COMPANY AT
GRAND FORKS, NORTH DAKOTA.

Order No. 82.

Decided January 30, 1919.

**Physical Connection Between Two Formerly Competing Exchanges in
Same City, Now Owned by One Company, Ordered — Company
Ordered to Desist from Collecting Duplicate Telephone
Charges Where Services of the Two Exchanges
were Not Duplicated.**

OPINION AND ORDER.

On or about August 1, 1918, The Northwestern Telephone Exchange Company, owned and operated a telephone exchange at Grand Forks, North Dakota, and secured title to the telephone exchange of the Tri-State Telephone and Telegraph Company of the same city. Permission was secured from the city council of Grand Forks and this Board to consolidate the exchange formerly owned by the Tri-State Telephone and Telegraph Company and the exchange of the Northwestern telephone company. In an agreement entered into with the city of Grand Forks on that date The Northwestern Telephone Exchange Company, which will be referred to herein as the telephone company, agreed to make physical connection between the two exchange systems at the earliest possible date or not later than January 1, 1920.

Upon petition by the statutory number of patrons of the telephone company, hearing was had before this Commission on the eighth day of January, 1919, at which the telephone company was represented by counsel and the State

by the attorney general of the State. It was contended by the witnesses for the State that physical connection could be made between the two telephone systems at Grand Forks within thirty days and at a cost of about \$200. It was contended by the witnesses for the telephone company that the exchanges could not be consolidated at a cost less than \$60,000 and that a temporary physical connection would cost at least \$4,600. It was further contended by the telephone company that this Commission was without jurisdiction upon the grounds that Chapter 209 of the Laws of 1915 did not contemplate connection between telephone systems owned by the same corporation, company or person, and that defendant telephone company was engaged at Grand Forks in interstate commerce and, therefore, beyond the jurisdiction of the Commission.

The legal objections will be considered first. We cannot agree with defendant's contentions. Section 11 of Chapter 209 provides that physical connection may be made and service established between the telephone exchanges owned by different corporations, companies, or persons or between telephone systems regardless of their ownership. The provisions of this section together with the provisions of Section 10, prohibiting duplication of service, and Section 2, conferring upon this Commission supervision of telephone systems within the State, lodges with it ample power to order this connection.

Defendant's contention that its property at Grand Forks is engaged in interstate commerce is not material. Physical connection, unless so unreasonable as to become a direct burden, between common carriers, is not a burden upon interstate commerce. This has been the settled law since the Supreme Court of the United States so declared in *Wisconsin E. T. C. Railway Co. v. Jacobson*, 179 U. S. 287; see also *Oregon R. R. & N. Co. v. Fairchild*, 224 U. S. 910.

As to whether or not defendant telephone company has exercised due diligence in making this physical connection is a controverted question and not without its difficulties. It is clear that they are not barred from

making immediate connection by their contract with the city in which it was agreed that it was to be made at the earliest possible moment and in no event at a later date than January 1, 1920. There was considerable conflict in the testimony as to the method of making this physical connection, its cost and feasibility. The Commission is of the opinion, however, that eighteen months is an unreasonable period for this purpose and that it works an undue hardship upon its subscribers in the city of Grand Forks.

It is clear to the Commission, however, that to permit defendant to burden the people of Grand Forks with \$1,000 or more a month for duplicate telephones during the time of this consolidation is entirely without equity. The benefits of consolidation accrue alike to the telephone company and its patrons. That the patrons should be compelled to bear the entire burden of the cost of the duplicate service during the time that the telephone exchanges are being consolidated or united is entirely without equitable defense.

It is, therefore, ordered, That the telephone company on and after February 1, 1919, desist from collecting duplicate telephone charges wherever the service of the Northwestern telephone exchange and the Tri-State telephone exchange are not duplicated; but that the defendant continue to furnish service through both exchanges to such patrons until such time as the exchanges are consolidated or connected.

It is further ordered, That physical connection between the telephone systems be completed by the defendant at a date not later than the first day of June, 1919.

Dated at Bismarck, North Dakota, this thirtieth day of January, 1919.

OHIO.

The Public Utilities Commission.

In re APPLICATION OF RECEIVERS, CENTRAL UNION TELEPHONE COMPANY, FOR LEAVE TO ACCEPT AND HOLD CERTAIN STOCK OF SUNDRY TELEPHONE COMPANIES INCORPORATED UNDER THE LAWS OF OHIO.

No. 1612.

Decided February 7, 1919.

Receivers of Foreign Corporation Authorized to Accept and Hold Stock of Domestic Corporations in Exchange for Notes of Said Domestic Corporations Held by Receivers.

OPINION AND ORDER.

This day, (the Commission having heretofore deemed a hearing thereupon to be unnecessary), this matter came on for final consideration upon the application of David R. Forgan, Edgar S. Bloom and Frank F. Fowle, the duly appointed, qualified and acting Receivers of Central Union Telephone Company, asking the consent to and approval, by this Commission, of their acceptance, as such Receivers of Central Union Telephone Company, and future holding, of the common capital stocks of The Carroll Telephone Company, of the par value of \$2,542.50; of The Rushville Bell Telephone Company, of the par value of \$790.67; of The Sugar Grove Telephone Company, of the par value of \$1,250.20, and of The Perry County Telephone Company, of the par value of \$9,767.82, in exchange for the three-year, 6 per cent. convertible trust notes of said companies, of equal principal amounts, now held by said Receivers under authority of the order, made and entered by this Commission in proceeding No. 1313*:

* See Commission Leaflet No. 74, p. 330.

The Commission, being fully advised in the premises, finds that the service furnished the public will be improved thereby and that the public will thereby be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, and is satisfied that its consent and authority for the acceptance and holding of said capital stocks should be granted.

It is, therefore, ordered, That the said David R. Forgan, Edgar S. Bloom and Frank F. Fowle, as Receivers of Central Union Telephone Company be, and hereby they are, authorized to accept and hold; in exchange for the notes of said companies of such principal sums now held by them, the common capital stocks of The Carroll Telephone Company, of the par value of \$2,542.50; of The Rushville Bell Telephone Company, of the par value of \$790.67; of The Sugar Grove Telephone Company, of the par value of \$1,250.20, and of The Perry County Telephone Company, of the par value of \$9,767.82.

It is further ordered, That the findings hereinbefore set forth as to rates and service shall not be binding upon this Commission in any future proceeding involving said matters.

Dated at Columbus, Ohio, this seventh day of February, 1919.

In re JOINT PETITION OF THE OHIO STATE TELEPHONE COMPANY AND THE PORTAGE COUNTY TELEPHONE COMPANY FOR APPROVAL OF PURCHASE AND SALE.

No. 1491.

Decided February 11, 1919.

Acquisition of Property of One Company by Another Owning All the Capital Stock of the Former Authorized.

OPINION AND ORDER.

This day after full hearing, due notice of the time and place of which was given to all parties in interest, this

2. L. 88]

matter came on for final consideration upon the joint application of The Ohio State Telephone Company, a corporation organized and existing under the laws of Ohio, and The Portage County Telephone Company, a corporation organized and existing under the laws of Ohio, all of whose stock was purchased and is now held by said The Ohio State Telephone Company under the authority granted by the order, made and entered as of date July 26, 1918, in proceeding No. 1498,* asking the consent to and approval, by this Commission, of the sale, by said The Portage County Telephone Company, of all its assets to, and the purchase and acquisition thereof by said The Ohio State Telephone Company;

Upon consideration whereof, and being fully advised in the premises, the Commission finds that the convenience of the public will be promoted thereby, and that the public will thereby be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, and is satisfied that its consent and authority for such purchase and sale of said property should be granted.

It is, therefore, ordered, That said The Portage County Telephone Company be, and hereby it is, authorized to sell and convey to The Ohio State Telephone Company, all of its property and assets; and said The Ohio State Telephone Company hereby is authorized to purchase and acquire said property—the consideration therefor to be that consideration passed for said capital stock of The Portage County Telephone Company, and formal authority hereby is granted said The Ohio State Telephone Company, upon the surrender and cancellation of said capital stock and the dissolution of said The Portage County Telephone Company, to transfer from Account No. 105, Investment Securities, to Account No. 101, Fixed Capital Installed Since December 31, 1912, its said original investment in the capital stock of The

* See Commission Leaflet No. 81, p. 1059.

Portage County Telephone Company hereby appropriated to the assets of said company.

It is further ordered, That nothing herein shall be construed to be a consent to or approval by this Commission of any increase in rates or diminution of service in the territory now served by means of said property, nor shall the findings hereinbefore set forth as to rates and service be binding upon this Commission in any future proceeding involving said matters.

It is further ordered, That, forthwith upon the passing of the title to said property, the applicants file with this Commission schedules providing for their respective withdrawal from and inauguration of service within the territory now served by means of said property.

Dated at Columbus, Ohio, this eleventh day of February, 1919.*

In re APPLICATION OF THE OHIO STATE TELEPHONE COMPANY FOR AUTHORITY TO ISSUE SECURITIES.

No. 1500.

Decided February 11, 1919.

**Issue by Domestic Corporation of 5 Per Cent. Mortgage Bonds at 92½.
Authorized — Discount to be Amortized.**

OPINION AND ORDER.

This day, after full hearing, due notice of the time and place of which was given to all parties in interest, this matter came on for final consideration upon the application, as amended, of The Ohio State Telephone Company. (a corporation organized and existing under the laws of Ohio), asking the consent and authority of this Commission to issue consolidated and refunding mortgage, 5 per cent. bonds of the principal sum of \$179,380, \$28,000 prin-

* On the same day a similar order was issued in the case of *In re The Ohio State Telephone Company and The Nelsonville and Murray Home Telephone Company for Approval of Purchase and Sale*, No. 1594.

C. L. 88]

principal amount thereof to be delivered, at 90, in discharge of a part of applicant's indebtedness, created and incurred for and on account of the acquisition of all of the capital stocks of The Nelsonville and Murray Home Telephone Company, and The Portage County Telephone Company, and all of the stocks, except five shares of the common capital stock of The Citizens Telephone Company, of Berea, Ohio, and the proceeds arising from the sale of the remainder, \$151,380, principal amount, of said bonds to be used to discharge the remainder of such indebtedness and to provide for the acquisition of the remaining shares of said common stock of said The Citizens Telephone Company of Berea, Ohio:

Upon consideration whereof, and being fully advised in the premises, the Commission finds:

1. That the value of the properties of said The Nelsonville and Murray Home Telephone Company, The Portage County Telephone Company and The Citizens Telephone Company, of Berea, the control of which was acquired by applicant's purchase of said capital stocks, and the title to which is now, under authority of this Commission, to be passed to applicant for that consideration passed for said capital stocks, is not less than the principal amount of the bonds herein to be authorized; and

2. That the issue of all of applicant's said bonds is reasonably required, and the money to be procured by the sale of a portion thereof necessary for the payment and discharge of applicant's lawful indebtedness, incurred for and on account of the acquisition, initially through control of the capital stock and thereafter, by the passing of title, of property to be actually used and useful for the convenience of the public in the furnishing of telephonic service, and

3. The applicant now having bonds outstanding in excess of its issued and outstanding capital stocks, that the issue of said bonds in excess of applicant's outstanding capital stocks and the expenditure of the proceeds of such excess of bonds should be specifically consented to, authorized and approved.

and is satisfied that consent and authority for the issue and disposition of said bonds should be granted.

It is, therefore, ordered, That said The Ohio State Telephone Company be, and hereby it is, authorized to issue its consolidated and refunding mortgage, 5 per cent. bonds of the total principal sum of \$179,380, and that \$151,380, principal amount thereof, be sold for the highest price obtain-

able, but not less than 92½ per centum of the par value thereof.

It is further ordered, That any discount arising from the disposition of said bonds at less than the par value thereof be amortized pursuant to the rules and regulations heretofore prescribed by this Commission.

It is further ordered, That the issue of said bonds in excess of applicant's issued and outstanding capital stocks, and the expenditure of the proceeds thereof as hereinafter prescribed, be, and hereby they specifically are, consented to and authorized, and approved.

It is further ordered, That \$28,000, principal amount of said bonds, be issued, as fully paid and at the rate of 90 per centum of the par value thereof, and the proceeds arising from the sale of the remaining \$151,380, principal amount of said bonds [be] expended for the full and final payment and discharge of applicant's indebtedness, incurred for and on account of the acquisition, under the authority of the orders, made and entered as of date July 26, 1918, in proceedings Nos. 1496,* 1497† and 1498,‡ of all the capital stocks (including five shares of the common capital stock of The Citizens Telephone Company of Berea, the purchase of which has not, as yet, been consummated) of said The Citizens Telephone Company of Berea, The Portage County Telephone Company and The Nelsonville and Murray Home Telephone Company; nor shall said proceeds of said bonds, or said \$28,000, principal amount of said bonds, be used for any other purpose whatsoever.

It is further ordered, That the applicant make verified report to this Commission of the issue and disposition of said bonds and the expenditure of the proceeds of so many thereof as may be sold, pursuant to the terms and conditions of this order.

Dated at Columbus, Ohio, this eleventh day of February, 1919.

* See Commission Leaflet No. 81, p. 1056.

† See Commission Leaflet No. 81, p. 1057.

‡ See Commission Leaflet No. 81, p. 1059.

In re JOINT APPLICATION OF THE OHIO STATE TELEPHONE COMPANY AND THE CITIZENS TELEPHONE COMPANY OF BEREА FOR SUCH CONSENT AND APPROVAL OF THE COMMISSION AS MAY BE NECESSARY TO PERMIT THEM TO PURCHASE AND SELL CERTAIN TELEPHONE PROPERTY.

No. 1514.

Decided February 11, 1919.

Acquisition of Property of One Corporation by Another which Held Substantially All of Capital Stock of the Former, Authorized.

OPINION AND ORDER.

This day, after full hearing, due notice of the time and place of which was given to all parties in interest, this matter came on for final consideration upon the joint application of The Ohio State Telephone Company, (a corporation organized and existing under the laws of Ohio), and The Citizens Telephone Company, (a corporation organized and existing under the laws of Ohio with its principal place of business at Berea, Ohio, all of whose capital stocks, with the exception of five shares of common stock of the par value of \$100 each, was purchased and is now held by said The Ohio State Telephone Company under the authority granted by the order, made and entered as of date July 26, 1918, in proceeding No. 1497*), asking the consent to and approval, by this Commission, of the sale, by said The Citizens Telephone Company, of Berea, of all its assets to, and the purchase and acquisition thereof by said The Ohio State Telephone Company:

Upon consideration whereof, and being fully advised in the premises, the Commission finds that the convenience of the public will be promoted thereby and that the public will thereby be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, and is satisfied that its consent and authority for such purchase and sale of property should be granted.

* See Commission Leaflet No. 81, p. 1057.

It is, therefore, ordered, That said The Citizens Telephone Company, of Berea, be, and hereby it is, authorized to sell and convey to The Ohio State Telephone Company, all of its property and assets; and said The Ohio State Telephone Company hereby is authorized to purchase and acquire said property — the consideration therefor to be that consideration passed for said capital stock of The Citizens Telephone Company, plus an equivalent pro rata consideration to be paid for the remaining five shares of said common capital stock; and formal authority hereby is granted said The Ohio State Telephone Company, upon the surrender and cancellation of said capital stocks and the dissolution of said The Citizens Telephone Company, to transfer from Account No. 105, Investment Securities, to Account No. 101, Fixed Capital Installed since December 31, 1912, its said original investment in the capital stock of The Citizens Telephone Company hereby appropriated to the assets of said company.

It is further ordered, That nothing herein shall be construed to be a consent to or approval by this Commission of any increase in rates or diminution of service within the territory now served by means of said property, nor shall the findings hereinbefore set forth as to rates and service be binding upon this Commission in any future proceeding involving said matters.

It is further ordered, That, forthwith upon the passing of the title to said property, the applicants file with this Commission schedules providing for their respective withdrawal from and inauguration of service within the territory now served by means of said property.

Dated at Columbus, Ohio, this eleventh day of February, 1919.

OKLAHOMA.

Corporation Commission.

STATE *ex rel.* S. P. FREELING, ATTORNEY GENERAL *v.* SOUTHWESTERN BELL TELEPHONE COMPANY.

Cause No. 3641 — Order No. 1541.

Decided February 19, 1919.

Telephone Company Fined for Failure to Refrain from Installing Toll Rates Prescribed in Order No. 2495 of Postmaster General.

The prayer of the complaint and affidavit in this case was for an order of the Commission restraining the defendant from continuing to enforce and keep in effect the rates, charges and practices installed by it on January 21, 1919, and for the assessment of fines as provided by law for the violation of Order No. 101.*

On January 21, 1919, the Commission ordered† the Southwestern Bell company to desist from putting into effect and maintaining the rates, practices and charges which it put into effect at 12:01 A. M. on that day, in violation of the Commission's orders, and ordered that the complaint and affidavit be set down for hearing on February 11.

Held: That the Corporation Commission was given jurisdiction by Section 18, Article 9, Constitution of Oklahoma, to regulate intrastate telephone rates and to promulgate orders prescribing and fixing such rates; that by Section 19, Article 9 of the Constitution, the Commission had power to enforce its orders with reference to telephone companies by the assessment of a fine; that as far as the regulation of public service corporations is concerned, the Corporation Commission has executive, judicial and legislative powers and, being created a court inferior only to the Supreme Court, has power to punish for contempt violations of its orders;

That the action of the Southwestern Bell company in increasing and changing rates, and in putting into effect practices different from those in effect prior to January 21, 1919, without application to the Commission, or consent therefor, constituted a violation of the Commission's Order No. 101,* which required telephone companies operating for hire

* See II. C. T. C. 729.

† See Commission Leaflet No. 87, p. 1079.

not to charge a greater or different rate for similar service than the rate prescribed by the Commission, without the consent of the Commission, and subjected the company to a fine of \$500 per day for each day these rates and practices were kept in effect—amounting from January 21 to February 11, both inclusive, to \$11,000;

That the joint resolution of Congress of July 16, 1918, distinctly reserved to the states the power over intrastate telephone rates;

That the Southwestern Bell company could not plead as a defense in a contempt proceeding brought for violation of an order of the Commission, that it was acting under order of the Postmaster General, since the law did not give the Postmaster General jurisdiction over intrastate rates;

That there was no good reason why the states should longer be burdened with interference in purely intrastate matters when the military necessity therefor no longer existed;

That the only method provided by the Constitution and laws of the State for the enforcement of the orders of the Commission was by fines for contempt, but this method was inadequate and an injunction proceeding should be brought in a court of competent jurisdiction for the restraining of the Southwestern Bell company from further continuing the rates, charges and practices installed on the twenty-first day of January, 1919.*

* On February 26, 1919, in the case of *State of Oklahoma ex rel. Freeling v. Southwestern Bell Telephone Company, H. J. Pettingill, E. D. Nims, Ben. F. Reed, John M. Noble and E. E. Westervelt*, the District Court of Oklahoma County, Oklahoma, ordered that the defendants Southwestern Bell Telephone Company, John M. Noble, its manager, and E. E. Westervelt, its secretary and treasurer and general commercial superintendent, and the said John M. Noble and E. E. Westervelt as such officials, or as individuals, or as agents of the Postmaster General, be enjoined and restrained, as well as their agents and employees, from continuing in force or charging or exacting any practice or rate prescribed by Order No. 2495 of the Postmaster General issued on December 13, 1918, effective January 21, 1919; and further enjoined and restrained said defendants from putting in force or effect, or charging or exacting any rate in excess of, or different from, the order of the Corporation Commission of Oklahoma.

To this order the defendants and each of them excepted and gave notice of an appeal to the Supreme Court of Oklahoma. The defendants also made application for an order of *supersedeas* which the Court denied, to which the defendants excepted. On March 3, 1919, the Supreme Court granted a *supersedeas* and set the case for argument on the merits on March 11, 1919.

OPINION.

This action, brought by the State of Oklahoma on relation of the Attorney General, is the outgrowth of certain rates and practices promulgated and put into effect by the Southwestern Bell Telephone Company at 12:01 A. M. on the twenty-first day of January, 1919. Sometime prior to this date, when it became known through the press and by reports of the Southwestern Bell Telephone Company that the aforesaid rates and practices would be installed on the date mentioned, various citizens of the State of Oklahoma, patrons of the Southwestern Bell Telephone Company and users of long distance service, appealed to the Commission for relief from the proposed rates and practices said to be about to be installed by the Southwestern Bell Telephone Company.

The Commission, in the meantime, had kept itself advised as to the proposed action of the Southwestern Bell Telephone Company, which action purported to be based on the orders of the Postmaster General of the United States, and had directed the engineer of the Corporation Commission to make an analysis of the rates and practices which it was proposed to install on the said twenty-first day of January, 1919. This analysis showed that the rates to be installed were in excess of those already in effect. The analysis further showed that these rates and practices were revolutionary, illusory, unreasonable, unjust and discriminatory in the following things, to-wit: that they were excessive; that they proposed to make charges for services not rendered; that they purported to make reductions for service at times and during hours when service is not used by the public generally; that they proposed to install and enforce arbitrarily what is known as "station to station service," whereby patrons of the telephone company would be denied the use of the telephone lines by reason of the fact that they could not call an individual or person by name, where the rate was below a certain amount or

where the distance was 12 miles or less; that it was proposed to install a new and arbitrary division of tolls between the Southwestern Bell Telephone Company and the smaller and so-called independent telephone companies, whereby these companies would be compelled to do business at a loss.

The Southwestern Bell Telephone Company had heretofore arbitrarily put into effect excessive charges for installation, purporting to act upon an order of the Postmaster General. This matter was not officially protested by the Corporation Commission for the reason that at the time it was put into effect the country was engaged in active warfare, and our armies were battling with the forces of the Central Powers on European soil, and we were devoting unreservedly the resources of the nation and of this State to the prosecution of this war. We, therefore, preferred to suffer in silence, to see the people of the State endure hardships, even at the expense of submitting to unwarranted and undelegated power and authority, and to endure complaints from the citizens of our own State, than to raise our voice in protest at a time when the resources, physical, mental and moral, of the entire nation were needed to the utmost in crushing the enemy.

But with the signing of the armistice and with the partial return to normal conditions within our own country, there appeared no good reason why the State should longer endure unwarranted or undelegated control from without, over its transportation or its transmission lines.

The protests of our citizens and of the patrons of the Southwestern Bell Telephone Company over the proposed rates, charges and practices to be installed on the twenty-first day of January, 1919, lead the Commission to communicate with the Governor of the State in an effort to arouse the people to what it believed to be an interference with the laws of the State and the introduction of a regime destructive both to the prerogatives of the State and the service rendered by the telephone systems.

L. 88]

On January 18, 1919, the chairman of the Commission addressed to the Governor of the State the following letter, to-wit:

" Office of
CORPORATION COMMISSION
of Oklahoma.

Oklahoma City, Okla., January 18, 1919.

Hon. J. B. A. Robertson,
Governor of Oklahoma,
Oklahoma City.

Dear Sir:

You will find hereto attached copies of communications received by this Commission from which you will observe there is general and grave dissatisfaction with the telephone situation.

We request that you direct the Attorney General to investigate the legal status of the telephone situation within this State and then proceed, either before this Commission or some other tribunal, to enforce the rights of the State, if in his opinion they are enforceable, against the assumption and demands of the Postmaster General. The Corporation Commission is very desirous of seeing the situation cleared up.

We would thank you for advice as to what steps the Attorney General will take.

Very respectfully,

CORPORATION COMMISSION,
W. D. Humphrey, Chairman."

The letters referred to in the foregoing were as follows, to-wit:

" OKLAHOMA CITY
WHOLESALE MERCHANDISE
BROKERS ASSOCIATION.

Oklahoma City, Okla., January 17, 1919.

Mr. W. D. Humphrey, Chairman,
Oklahoma Corporation Commission,
Oklahoma City, Oklahoma.

Dear Sir:

The members of our association engaged in the business of brokers of food products to the jobbing trade, are among the largest users of the long distance telephone in Oklahoma, and we are soliciting your aid to help us combat the new schedule of charges authorized by the Postmaster General of the United States, effective January 21, insofar as they apply to

intrastate messages, which is the bulk of our business with the Southwestern Bell Telephone Company.

We realize during the war the necessity of advances in telephone rates which were granted, we believe, sometime ago, but the present schedule as outlined is not only exorbitant, but in our opinion unwarranted at this time; furthermore, the method of assessing the rates, and other service charges, are so complicated as to interfere seriously with the business of any concern, we believe, who rely upon the long distance telephone to secure their results.

We understand that protests have been filed in large volume with the Senators and Representatives in Washington, and we noticed from new items in the papers the last couple of days, where the Utilities Commissions of the States of Ohio and Florida have refused to grant the changes in telephone schedules insofar as they apply to intrastate messages, and our association wishes to appeal to your body for relief on these rates within the State of Oklahoma.

We will certainly appreciate your favorable action and will thank you very much for your careful attention to our request.

Yours very truly,

OKLA. CITY WHOLESALE MERCHANDISE BROKERS ASSN.

Per O. R. Armstrong, President."

"CHOCTAW GRAIN COMPANY.
GRAIN.

Oklahoma City, Okla., January 17, 1919.

Hon. Corporation Commission of Oklahoma,
State Capitol,
Oklahoma City, Okla.

Honorable Sirs:

Doubtless you are familiar with the new 'phone rates that have been promulgated by the Southwestern Bell Telephone Company under the tutorship of our worthy Postmaster General Burleson.

Unfortunately we are forced to patronize the Southwestern Bell Telephone Company to a considerable extent, and we dislike very much this idea of being American citizens and then be forced to come under the rod of a corporation of such magnitude as the Southwestern Bell Telephone Company. We are already paying fabulous prices for such service as we are getting. We have no assurance when a call can be completed: we are at their mercy. If they do not complete a call to-day, perhaps they will complete it tomorrow or the next day, asking for a renewal from day to day, and this new idea of having the subscriber or customer pay for a report charge service is certainly far-fetched in the extreme.

Realizing the fact that they are unable to give us satisfactory service during the day they have been considerate enough to offer us a reduction

C. L. 88]

in rates from 8:30 P. M. until midnight, during which hours the average business man transacts no business.

While we appreciate they are making strenuous efforts to enforce this rule as a government measure, we hope and pray that you will use your good efforts to again put Oklahoma on the map and protect, at least, the intrastate rates so in the event we are punished it can affect us only as to interstate rates.

Thanking you in advance for your kind consideration, and hoping you will take immediate action, we remain,

Very truly yours,

CHOCTAW GRAIN COMPANY.

By Straughn."

"OKLAHOMA CITY CHAMBER OF COMMERCE.

Le Roy M. Gibbs, Sec'y.

Oklahoma City, U. S. A.

January 17, 1919.

Honorable Corporation Commission,
Oklahoma City, Oklahoma.

Gentlemen :

We are receiving complaints on the new long distance telephone toll rates which the Postmaster General has announced to take effect January 21. It is stated, and the schedule as announced appears to bear these statements out, the new schedule will advance long distance telephone rates from 20 per cent. to 60 per cent. Complaints are also made that the new schedule is unscientific, difficult to comprehend the meaning, and imposes undue hardships upon the public.

While we notice that several of the states have rejected these rates, and in the public print this morning it is announced that the State of Florida will seek to have the new schedule enjoined in the courts; some of our members are asking us what position the Corporation Commission is going to take, but we referred all such inquiries to your body direct. It appears to us from the complaints so far submitted by our members that this is a question of some importance and if there is any action the Corporation Commission can take to relieve the situation or prevent the rates from going into effect until an impartial investigation is made, the interest of the general public of this State will be, in our opinion, best served by taking such action.

Respectfully submitted,

OKLAHOMA CITY CHAMBER OF COMMERCE.

F. P. DIXON,

Acting Secretary."

FD/Mc

" TELEGRAM.

Muskogee, Okla., Jan. 18, 1919.

Chairman Corporation Commission,
Oklahoma City, Okla.

Pursuant to instruction of mass meeting of citizens of Muskogee, Friday evening, you are urged to take appropriate measures to prevent in Oklahoma telephone rates effective January 21 announced by Postmaster General. Ohio, Illinois, Michigan, Wisconsin and Florida have already so acted.

(Signed) S. E. Gidney,
M. G. Haskell,
W. D. Hume,
Committee."

On January 20, 1919, the Governor sent to the Attorney General the following communication, to-wit:

"State of Oklahoma,
Executive Office,
Oklahoma City.

January 20, 1919.

Hon. S. P. Freeling,
Attorney General,
State Capitol Bldg.

Sir:

Attached hereto you will find copy and original letter from the Corporation Commission, together with copies of communications received by the Commission concerning the dissatisfaction that exists throughout the State relative to the telephone situation.

I desire that you immediately investigate the legal status of the telephone situation in this State, and after such investigation, if the facts warrant, immediately proceed, either before the Corporation Commission or some other tribunal, to enforce the rights of the State against the assumption and demands of the Postmaster General.

I will be glad to have your advice from time to time in the premises.

Respectfully,

J. B. A. Robertson,
Governor."

In response to this letter the Attorney General filed with the Corporation Commission his verified complaint and affidavit, alleging, among other things, that the Southwestern Bell Telephone Company was about to install and

C. L. 88]

had installed rates, charges and practices which were illegal, excessive, unreasonable and discriminatory, and in excess of those provided by law and by the orders of the Corporation Commission of the State of Oklahoma, and especially Order No. 1378 of said Commission, and in violation of Order No. 101* of the Corporation Commission of the State of Oklahoma.

On the twenty-first day of January, 1919, the Commission ordered† the Southwestern Bell company to desist and refrain from putting into effect and maintaining the rates, practices and charges which it put into effect at 12:01 A. M. on the said twenty-first day of January, 1919, in violation of the Commission's orders, and ordered that the complaint and affidavit of the Attorney General, alleging violation of Commission's Order No. 101* be set down for hearing and trial on the eleventh day of February, 1919, at 10:00 o'clock A. M.

Accordingly the matter came on regularly for hearing and trial before the Commission sitting as a court, in the hearing room of the Corporation Commission, State Capitol, Oklahoma City, Oklahoma, February 11, 1919, there appearing for the State of Oklahoma, *W. R. Bleakmore*, assistant Attorney General; for the Corporation Commission, *Paul A. Walker*; for the Southwestern Bell Telephone Company, *Sam H. Harris* and *J. R. Spielman*. There also appeared in person as protestants, *Mr. C. F. Prouty*, representing the Oklahoma Grain Dealers' Association; *Mr. H. C. McCord*, representing the Oklahoma State Traffic Association; *Mr. C. W. Bleuler*, representing the Maney Export Company; *J. S. Marsh*, representing the Oklahoma Live Stock Exchange; *J. T. Gibbons*, representing the J. T. Gibbons Grain Company, Altus, Oklahoma.

The following persons representing independent telephone plants appeared: *Mrs. Fannie Bell*, Kiowa, Oklahoma; *H. W. Barnard*, manager, Cache Telephone Com-

* II. C. T. C. 729.

† See Commission Leaflet No. 87, p. 1079.

pany, Cache, Oklahoma; *O. R. Dunn*, president, Poteau Telephone Company, Poteau, Oklahoma.

In addition to the foregoing appearances there were a large number of written protests against the rates and practices of the Southwestern Bell Telephone Company. Among these protestants were: The J. P. James Mercantile Company, Fairland, Oklahoma; W. C. Greenman, secretary, Chamber of Commerce, Enid, Oklahoma; Randells and Grubb, grain dealers, Enid, Oklahoma; L. C. Andrews, attorney at law, Pauls Valley, Oklahoma; U. T. Rexroat, J. P. Griggs, and T. Ryburn, Ardmore, Oklahoma; Chamber of Commerce, Miami, Oklahoma; C. S. Williams, bonded abstractor, Altus, Oklahoma; G. L. Benson, president, Farmers' National Bank, Holdenville, Oklahoma; L. E. Foster and Company, real estate dealers, Duncan, Oklahoma; S. Irby Kolb, attorney at law, Duncan, Oklahoma; C. G. White, Sulphur, Oklahoma; Gum Brothers, real estate mortgage loans, Oklahoma City, Oklahoma; Thomas Latta, Norman, Oklahoma; O. P. Armstrong, president, Oklahoma City Wholesale Merchandise Brokers Association, Oklahoma City, Oklahoma; Choctaw Grain Company, Oklahoma City, Oklahoma; F. P. Dixon, acting secretary, Oklahoma City Chamber of Commerce, Oklahoma City, Oklahoma; John D. Lindsay, president of the Norman Oil Mill Company, Norman, Oklahoma; John C. Head, attorney at law, Idabel, Oklahoma; E. G. Burger, theatre manager, Sallisaw, Oklahoma; T. R. Bramblet, architect, 417 Terminal Bldg., Oklahoma City, Oklahoma; M. G. Haskell, attorney at law, Muskogee, Oklahoma; S. E. Gidney, attorney at law, Muskogee, Oklahoma; Hogan, Hayden and Company, grain dealers, Pryor, Oklahoma; M. F. Hennessy, cotton ginner and dealer, Albert, Oklahoma; Hunter Mill Company, Hunter, Oklahoma; Judge C. A. Galbraith, Ada, Oklahoma; E. J. Roberts, manager Local Telephone Plant, Valliant, Oklahoma; C. Boarman, manager Tecumseh Telephone Exchange, Tecumseh, Oklahoma.

If all the persons protesting by letter, wire and telephone

(C. L. 88]

could be noted here the list would be extended almost *ad infinitum*.

The prayer of the Attorney General's complaint and affidavit asks for an order of the Corporation Commission restraining the defendant, the Southwestern Bell Telephone Company, from continuing to enforce and keep in effect the rates, charges and practices installed by said Southwestern Bell Telephone Company on the twenty-first day of January, 1919, and for the assessment of fines, as provided by law, for the violation of said Order No. 101* of the Corporation Commission.

LAW CONFERRING JURISDICTION ON THE CORPORATION COMMISSION OVER TELEPHONE COMPANIES [AND] UPON THE ATTORNEY GENERAL TO INSTITUTE AND PROSECUTE ACTIONS ON BEHALF OF THE STATE AGAINST TELEPHONE COMPANIES.

Before reviewing the evidence introduced at the hearing and trial it may be well to review the laws conferring jurisdiction upon the Corporation Commission over telephone companies, and under which the Attorney General has a right to act for the State in proceedings against the telephone company.

The power and authority of the Commission over telephone companies is derived from the fundamental law of the State, to-wit, the Constitution.

The Corporation Commission is created and its qualifications defined in Sections 15, 16 and 17, Article 9, Constitution of Oklahoma (Sections 1 to 3, both inclusive, Corporation Commission Laws, 1917).

The Corporation Commission is composed of three persons elected by the people of the State. Among the qualifications specified are, that a commissioner shall not be directly or indirectly interested in any telephone or telegraph line, operated for hire, in the State, or out of it.

* II. C. T. C. 729.

or of any stock, bond, mortgage, security, or earnings of any such * * * telephone or telegraph line.

Section 5, Article 9, Constitution (Section 309, Corporation Commission Laws, 1917), provides:

"309. Telegraph and Telephone Companies to Receive and Transmit Each Other's Messages—Physical Connections to be Made. All telephone and telegraph lines, operated for hire, shall each respectively, receive and transmit each other's messages without delay or discrimination, and make physical connections with each other's lines, under such rules and regulations as shall be prescribed by law, or by any Commission created by this Constitution, or any act of the legislature, for that purpose." (Section 5, Article 9, Constitution.)

Section 18, Article 9, Constitution (Sections 17–20, both inclusive, Corporation Commission Laws, 1917), provide the specific powers and duties of the Commission over telephone companies, and the method of prescribing regulations. The Sections read:

"17. Commission—Its Power and Duty—Fix Rates and Charges and Classifications and Rules—Correct Abuses—Prevent Discrimination and Extortion—To Require Service Facilities and Conveniences. The Commission shall have the power and authority and be charged with the duty of supervising, regulating and controlling all transportation and transmission companies doing business in this State, in all matters relating to the performance of their public duties and their charges therefor, and of correcting abuses and preventing unjust discrimination and extortion by such companies; and to that end the Commission shall, from time to time, prescribe and enforce against such companies, in the manner hereinafter authorized, such rates, charges, classifications of traffic, and rules and regulations, and shall require them to establish and maintain all such public service facilities, and conveniences as may be reasonable and just, which said rates, charges, classifications, rules, regulations and requirements, the Commission may, from time to time, alter or amend. All rates, charges, classifications, rules and regulations adopted, or acted upon, by any such company, inconsistent with those prescribed by the Commission, within the scope of its authority, shall be unlawful and void. (Section 18, Article 9, Constitution.)

18. Inspection of Books and Papers—Reports and Statements—Physical Conditions—Security and Accommodation of the Public—Regulations to Prevent Discrimination and Extortion Between Connecting Lines. The Commission shall also have the right, at all times, to inspect the books and papers of all transportation and transmission companies doing busi-

C. L. 88]

ness in this State, and to require from such companies, from time to time, special reports and statements, under oath, concerning their business, it shall keep itself fully informed of the physical condition of all the railroads of the State, as to the manner in which they are operated, with reference to the security and accommodation of the public, and shall, from time to time, make and enforce such requirements, rules, and regulations as may be necessary to prevent unjust or unreasonable discrimination or extortion by any transportation or transmission company in favor of, or against any person, locality, community, connecting line, or kind of traffic, in the matter of car service, train or boat schedule, efficiency of transportation or transmission, or otherwise, in connection with the public duties of such company. (Section 18 [2], Article 9, Constitution.)

19. *Notice Required—Evidence—Objections—Hearing, etc.* Before the Commission shall prescribe or fix any rate, charge or classification of traffic, and before it shall make any order, rule, regulation, or requirement directed against any one or more companies by name, the company or companies to be affected by such rate, charge, classification, order, rule, regulation, or requirement, shall first be given, by the Commission, at least ten days' notice of the time and place when and where the contemplated action in the premises will be considered and disposed of, and shall be afforded a reasonable opportunity to introduce evidence and to be heard thereon, to the end that justice may be done, and shall have process to enforce the attendance of witnesses; and before said Commission shall make or prescribe any general order, rule, regulation, or requirement, not directed against any specific company or companies by name, the contemplated general order, rule, regulation, or requirement shall first be published in substance, not less than once a week, for four consecutive weeks, in one or more of the newspapers of general circulation published in the county in which the capital of this State may be located, together with the notice of the time and place, when and where the Commission will hear any objections which may be urged by any person interested against the proposed order, rule, regulation, or requirement, and every such general order, rule, regulation, or requirement, made by the Commission, shall be published at length, for the time and in the manner above specified, before it shall go into effect, and shall also, so long as it remains in force, be published in each subsequent annual report of the Commission. (Section 18 [3], Article 9, Constitution.)

20. *Authority of Commission—Local Franchises—Arbitration—Mediation.* The authority of the Commission (subject to review on appeal as hereinafter provided) to prescribe rates, charges and classifications of traffic, for transportation and transmission companies, shall, subject to regulation by law, be paramount; but its authority to prescribe any other rules, regulations or requirements for corporations or other persons shall be subject to the superior authority of the legislature to legislate thereon by general laws: *provided, however, that nothing in this section shall*

impair the rights which have heretofore been, or may hereafter be, conferred by law upon the authorities of any city, town or county to prescribe rules, regulations, or rates of charges to be observed by any public service corporation in connection with any services performed by it under a municipal or county franchise granted by such city, town or county, so far as such services may be wholly within the limits of the city, town, or county granting the franchise. Upon the request of the parties interested, it shall be the duty of the Commission as far as possible, to effect, by mediation, the adjustment of claims, and the settlement of controversies, between transportation or transmission companies and their patrons or employees." (Section 18, [4], Article 9, Constitution.)

Section 34, Article 9, Constitution (Section 15, Corporation Commission Laws, 1917), defines transmission companies as follows:

"The term 'transmission company' shall include any company, receiver or other person, owning, leasing or operating for hire any telegraph or telephone line."

Section 19, Article 19, Constitution (Section 21, Corporation Commission Laws, 1917), constitutes the Commission a court and prescribes its powers as such. This Section reads:

"21. *Authority of a Court of Record—Administer Oaths—Compel Attendance of Witnesses and Production of Papers—Punish for Contempt—Pending Appeal No Penalty to Be Imposed.* In all matters pertaining to the public visitation, regulation, or control of corporations, and within the jurisdiction of the Commission, it shall have the powers and authority of a court of record, to administer oaths, to compel the attendance of witnesses, and the production of papers, to punish for contempt any person guilty of disrespectful or disorderly conduct in the presence of the Commission while in session, and to enforce compliance with any of its lawful orders or requirements by adjudging, and by enforcing its own appropriate process, against the delinquent or offending party or company (after it shall have been first duly cited, proceeded against by due process of law before the Commission sitting as a court and afforded opportunity to introduce evidence and to be heard, as well as against the validity, justness, or reasonableness of the order or requirement alleged to have been violated, as against the liability of the company for the alleged violation), such fines or other penalties as may be prescribed or authorized by this Constitution or by law. The Commission may be vested with such additional powers, and charged with such other duties

C. L. 88]

(not inconsistent with this Constitution) as may be prescribed by law, in connection with the visitation, regulation or control of corporations, or with the prescribing and enforcing of rates and charges to be observed in the conduct of any business where the State has the right to prescribe the rates and charges in connection therewith, or with the assessment of the property of corporations, or the appraisal of their franchises, for taxation, or with the investigation of the subject of taxation generally. Any corporation failing or refusing to obey any valid order or requirement of the Commission, within reasonable time, not less than ten days, as shall be fixed in the order, may be fined by the Commission (proceeding by due process of law as aforesaid) such sum, not exceeding \$500, as the Commission may deem proper, or such sum in excess of \$500 as may be prescribed or authorized by law; and each day's continuance of such failure or refusal, after due service upon such corporation of the order or requirement of the Commission, shall be a separate offense: *provided*, that should the operation of such order or requirement be suspended, pending any appeal therefrom, the period of such suspension shall not be computed against the company in the matter of its liability to fines or penalties." (Section 19, Article 9, Constitution.)

In the case of *Pioneer Telephone and Telegraph Company v. State*, 40 Okla. 417, 420, 138 Pac. 1033, the Supreme Court of Oklahoma calls attention to the fact that Section 1, Article 7, Constitution, creates the Corporation Commission a judicial body. The court says:

"Section 1, Article 7 (Section 186, Williams' Ann. Ed.), of the Constitution of this State, provides that:

'The judicial power of this State shall be vested in the Senate, sitting as a court of impeachment, a Supreme Court, district courts, county courts, courts of justices of the peace, municipal courts, and such other courts, commissions or boards inferior to the Supreme Court, as may be established by law.'

The Corporation Commission, as created by Article 9, is a body with; so far as the regulation of public service corporations is concerned, executive, judicial, and legislative powers."

Section 1, Chapter 10, Session Laws, 1913 (Section 22, Corporation Commission Laws, 1917), reads:

"*Commission Vested With Power of Court of Record—Refunds.* The Corporation Commission is hereby vested with the power of a court of record to determine: first, the amount of refund due in all cases where any public service corporation, person, or firm, as defined by the Consti-

tution, charges an amount for any service rendered by such public service corporation, person, or firm, in excess of the lawful rate in force at the time such charge was made, or may thereafter be declared to be the legal rate which should have been applied to the service rendered, and, second, to whom the overcharge should be paid."

Sections 1192-1202, Revised Laws of Oklahoma, 1910 (Sections 27-37, both inclusive, Corporation Commission Laws, 1917), provide a method of enforcement of orders of the Corporation Commission through contempt proceedings. Sections 1192-1194, Revised Laws, 1910 (Sections 27-29, both inclusive, Corporation Commission Laws, 1917), read as follows:

"27. *Contempt Proceedings—Violating Rules of Commission.* Any corporation, person or firm may be fined by the Corporation Commission, such sum not exceeding \$500, as the Commission may deem proper, for the violation of any of its rules or requirements; and each day's continuance of such violation, after due service upon such corporation, person or firm, of the order or requirement of the Commission shall be a separate offense: *provided*, that should the operation of such order or requirement be suspended, pending an appeal therefrom, the period of such suspension shall not be computed against the corporation, person or firm, in the matter of its liability to fines and penalties. (Section 1192, R. L. 1910).

28. *Contempt Proceedings, When.* In the case of failure of any corporation, person or firm, to obey or comply with any order or requirement of the Corporation Commission, the Commission may punish such corporation, person or firm as for contempt. Such contempt proceedings may be instituted by any citizen of this State, or other parties affected by such order, by filing an affidavit with the Corporation Commission, setting forth the acts of omission or failure to comply with such order or requirement. Upon the filing of such affidavit or information above mentioned, it shall be the duty of the Commission to forward to such offending corporation, person or firm, a copy of such affidavit or information, and shall also issue citation to such corporation, person or firm, to answer at a time to be fixed in the citation, not less than ten days, nor more than twenty days from the date of the service of said citation. (Section 1193, R. L. 1910).

29. *Contempt Proceedings—Pleadings, Trial and Appeal.* If the defendant shall fail to appear or file answer on the day mentioned in the citation, such failure to appear or file answer shall be deemed an admission of the truth of each and every material allegation in such affidavit or information, and the Commission may render judgment without further hearing or testimony; or the Commission may, in its discretion, require

C. L. 88]

additional evidence before rendering judgment in any case of default. Upon the appearance and filing of answer of the defendant, such appearance may be by plea, demurrer or answer, and when the issue shall have been settled, the Commission may hear evidence as to the matters and facts in reference to the alleged violation of the order or requirement, and may continue the hearing from time to time; and the defendant shall be given ample opportunity to introduce proper evidence and be fully heard in the premises. Upon the conclusion of the evidence and arguments of counsel, the Commission shall render judgment, a copy of which shall be delivered to the defendant, and the defendant shall have five days from the receipt of copy of the judgment to file its exceptions thereto, and shall be allowed to appeal from the judgment of the Commission to the Supreme Court, as provided in other cases, upon its filing a bond with the Commission in double the amount of such fine or judgment, with such security as may be required by the Commission. Upon the filing of such bond with the Commission and allowing of the appeal, the same shall operate a suspension of the fine and judgment appealed from." (Section 1194, R. L. 1910).

Section 1201, Revised Laws of Oklahoma, 1910 (Section 36, Corporation Commission Laws, 1917), provides:

"It shall be the duty of the Attorney General to prosecute to final judgment all proceedings instituted under the provisions of this Article, for the violation of the orders of the Corporation Commission."

ORDER OF THE CORPORATION COMMISSION PERTINENT HERETO.

Order No. 101* of the Corporation Commission, effective on and after November 3, 1908, provides:

"It is ordered that no person, or persons, firm, company, or corporation doing a transmission business by telephone for hire in the State of Oklahoma, shall charge a greater or different rate for service, or similar service in effect on October 12, 1908, without first having made application to the Corporation Commission therefor, and submitting to the Commission a schedule of the proposed change, which before taking effect shall have the approval of this Commission.

This order shall be in full force and effect on and after November 3, 1908."

This order has been regularly published in the Annual Reports of the Corporation Commission, succeeding its

* II. C. T. C. 729.

issue, and is to be found on page 146, Corporation Commission Laws, 1917, page 7, Eleventh Annual Report. Its enforcement has been involved in a number of cases, among them being *Pioneer Telephone and Telegraph Company v. State et al.*, 33 Okla. 724, 127 Pac. 1073, and *Pioneer Telephone and Telegraph Company v. State*, 40 Okla. 417, 138 Pac. 1033.

The order of the Commission, applying to rates which should be charged for toll or long distance business, was issued on the twenty-first day of February, 1918, on application of the Southwestern Bell Telephone Company, and grants the identical rates asked for by the telephone company in its application. No application has been made to the Commission for a change of long distance or toll rates by the Southwestern Bell Telephone Company since that date. Said order is known as No. 1378,* was issued in Cause No. 3262, and is to be found on pages 318, 321, Eleventh Annual Report of the Corporation Commission. That part of the said Order No. 1378* prescribing the long distance or toll rates to be charged, reads as follows:

"Full consideration having been given to the foregoing facts and figures, it is ordered that the applicant be permitted to put into effect the system suggested in its application for charges on long distance business between points within the State of Oklahoma, making a basis rate of 15 cents for the first 14 miles and 5 cents additional for each additional 7 miles, or a fractional part thereof, distance to be figured from the center of the rate-basing block in which toll station originating the call is located to the center of the block in which toll station completing the call is located, with the exception that messages between toll stations separated by not more than 40 miles shall be figured from station to station. all distances to be figured on air line basis, as at present, and rates to apply for a minimum three-minute communication, overtime rates for each additional minute or fractional part thereof to be proportional to the three-minute rate.

The schedule of rates herein authorized is distinctly held to be tentative only; it is not a finding in support of the reasonableness of the resulting

* See Commission Leaflet No. 76, p. 771.

C. L. 88]

charges *per se*. Because of the emergency alleged by the applicant, and believed by the Commission to exist, this proposed schedule will be authorized without previous conclusive investigation."

THE DUTIES OF THE COMMISSION HEREUNDER.

The laws of the State hereinbefore quoted charge the Commission with the duty of regulating rates and practices of telephone companies and of enforcing the orders of the Corporation Commission in reference thereto. The action of the Attorney General contemplated both a rate investigation and a trial for violation of Commission's Order No. 101.*

The telephone company is given by the Constitution the right to defend, in contempt actions, on the grounds of the unreasonableness of the Commission's order or orders. See Section 19, Article 9, Constitution (Section 21, Corporation Commission Laws, 1917), heretofore quoted, wherein it is provided that the company shall be

"afforded opportunity to introduce evidence and to be heard, as well as against the validity, justness, or reasonableness of the order or requirement alleged to have been violated, as against the liability of the company for the alleged violation."

The Corporation Commission has legislative, executive and judicial powers as to rates and practices. It sits as a court in the trial of complaints alleging violation of its orders.

The Commission in the proceedings herein, following the pleadings of the Attorney General, will consider first the evidence, then the remedy for the situation involved and the penalties to be imposed, should the evidence warrant conviction for violation of Commission's Order No. 101.*

THE EVIDENCE.

The first witness called by the State was John M. Noble, general manager of the Southwestern Bell Telephone Com-

* II. C. T. C. 729.

pany. Mr. Noble testified, Transcript, pages 3 *et seq.*, as follows:

Direct examination:

" Q. What is your name?

A. John M. Noble.

Q. What official position do you hold with the Southwestern Bell Telephone Company?

A. General manager.

Q. You are familiar with the long distance or toll rates now in effect in the State of Oklahoma on intrastate business?

A. Yes, sir.

Q. When did these rates go into effect?

A. Midnight of the twenty-first of January, 1919.

Q. Were you familiar with the rates in effect prior to that time under the orders of the Corporation Commission of Oklahoma?

A. Yes, sir.

Q. Are these rates which you put into effect at 12:01 o'clock, midnight, of the twenty-first of January, 1919, different from the rates which were in effect prior to that time?

A. Yes, sir, they are.

Q. Have you transmitted long distance or toll messages intrastate on the rates put into effect on the twenty-first of January, 1919, and made charges therefor?

A. Yes, sir.

Q. Have you done that on each day since January 21, 1919?

A. Yes, sir.

Q. And those charges were different from those allowed under the Corporation Commission's orders?

A. Yes, sir.

Q. Are those charges, or any of them, in excess of those which were in effect under the Corporation Commission's orders?

A. Yes, sir.

Q. Mr. Noble, were any practices put into effect after January 21, 1919, different from the practices in effect before that?

A. Yes, sir.

Q. What were these?

A. There were several of them.

Q. Name them.

A. Prior to the inaugurating of the new rate, there was no charge for what we term a report. Under certain conditions, after the new rates are

C. L. 88]

in effect, there will be a charge, and such charges have been made. There were various rates established under the new order that had no corresponding rate, or rates for similar service, prior to that time. I have in mind the evening and night rates; I have in mind the particular party rates, and also the report charges. I believe that constitutes the main changes in practices.

Q. What do you mean by report charges?

A. In operating a telephone plant it is customary to advise the patron as to the progress of the call in completing a call. Prior to the installation of the new rates, this report was rendered at stated periods under the operating rules and no charge was made for that. Under the new rates, or rules, if a party places a call and, if for any reason beyond the control of the telephone company, or because of the fault of the called or calling party, the company is unable to complete the call, there is a charge made for the effort on the part of the telephone company.

Q. Do your new rates and practices include what is known as Station-to-Station service and Person-to-Person service?

A. Yes, sir.

Q. What do you mean by that?

A. A Station-to-Station call, under the new rates, might be considered as the fundamental or basic charge under which all calls are computed and might be described as a call for anyone that answers or can talk business. Under the old rule, it was customary to ascertain from the party whether he wanted a particular party or not, and he often times advised us, 'No, I want anyone who can talk business.' That would today correspond to our Station-to-Station call. If, on the other hand, he wanted Bill Smith, and no one else would do, we proceeded to get Bill Smith, and, under the new rates, that is party to party service.

Q. Do the subscribers of the Southwestern Bell Telephone Company have the option, on intrastate business, of Person-to-Person calls?

A. Yes, sir.

Q. Is that true in all cases?

A. Just a minute. No, sir. It is not. A particular party call is not accepted where the rate is less than the minimum fixed amount.

Q. What is the minimum fixed amount?

A. * * * Fifteen cents. * * *

Q. The effect of that is to eliminate the party to party calls in places within 15 miles of each other?

A. In substance that is correct. It is contemplated that a man will select his own messenger or make his own arrangements to get the party he wants. That, of course, would necessitate the placing of more than one call.

Q. At the present time will your company accept a call for a party to party where the toll is less than 15 cents?

A. No, sir.

Cross examination by Judge Harris:

Q. Mr. Noble, the rates you spoke of were promulgated under Order No. 2495 of the Postmaster General?

A. Yes, sir.

Q. Has your company sent out instructions to your various offices as to compliance with this order?

A. Yes, sir.

Q. You have been doing, or attempting to do business, in accordance with this order of the Postmaster General?

A. Yes, sir.

Q. I will ask you to examine the paper I hand you and ask if that is a copy of the original order you are acting under?

A. Yes, sir, it is.

Q. I will ask this paper to be marked as Noble Exhibit No. 1 and offered in evidence."

Noble Exhibit No. 1 is as follows, to-wit:

UNITED STATES TELEGRAPH AND TELEPHONE ADMINISTRATION.

Telegraph and Telephone Service Bulletin No. 22.

ORDER NO. 2495.

December 13, 1918.

There are many counties and districts in which a free toll service is granted the subscriber within such county or district, the exchange rates presumably having been made with a view of such free toll service. This order shall not be construed as requiring a discontinuance of these privileges pending a study and revision of these exchange rates.

Nothing in this order establishing toll rates shall be construed as changing rates made without reference to mileage now established for service within a certain county or other area when such rates are not in excess of 10 cents, but no further rates of this character shall be established without specific approval of the Postmaster General.

In competitive situations where the earning value of a property under federal control would be unfavorably affected by the establishment of rates and charges herein ordered, an exception may be made by filing with the Postmaster General a statement to that effect with a proposal of modification from ordered rates and such modifications may go into effect unless vetoed or otherwise ordered by the Postmaster General within thirty days, and during such thirty days existing rates may be continued.

I. CLASSIFICATION OF TOLL TELEPHONE SERVICE.

The following classes of telephone toll message service shall be established effective 12:01 A. M., January 21, 1919.

1. Station-to-Station Messages.

C. L. 88]

This service may be defined by the following conditions:

(a) Orders for Station-to-Station service shall specify the telephone station called, either by telephone number, or by the name of the subscriber of the called station.

(b) Under this classification, orders will not be accepted to establish communication between particular persons.

(c) The measurement of the duration of a Station-to-Station message for purposes of the application of rates shall begin at the moment when telephonic communication is established between the called and the calling stations. The term "station" for the purpose of this clause is defined to include a private branch exchange switchboard operator, in those cases where private branch exchange systems are involved in Station-to-Station service.

(d) Station-to-Station service may be operated as a Number Service, in which case the called station may be designated only by number, through A and B switchboards or through tandem operators, etc.; or it may be operated through toll switchboards, and technically known as an "AY" service, depending on the local circumstances as to operating conditions, plant conditions, and the circumstances as to directory distribution and areas; and the more economical method will be employed in each case. The choice of method of operating Station-to-Station service will be determined solely as an operating arrangement, not in any way affecting rates or service; except that where the number method is employed it is required that orders be accepted stating only the telephone number of the called station.

(e) The charges for Station-to-Station messages shall not be "reversed," i. e., collected at the called station.

2. Person-to-Person Calls.

This service shall be defined by the following conditions:

(a) Orders will be accepted to establish communication between specified persons.

(b) The measurement of the duration of a Person-to-Person message for the purpose of the application of rates shall begin at the moment when communication begins with or between the particular person or persons specified in the order; *provided* that certain report charges will be made under the conditions specified in the clause next below, where communication may not be established.

(c) Orders for Person-to-Person service are accepted only under the condition that a limited charge (to be known as "Report Charge") will be made in the following cases where it is impossible to establish communication between particular persons:

(1) When the order is to establish communication with a particular person in a given city, telephone address unknown, and the particular person cannot be secured within one hour (exclusive of any time during

which "no circuits" or other cause prevent communication of the order to the distant city or exchange, or its completion).

(2) When the designated person called refuses to talk.

(3) When the report is returned that the designated person called is "out" or "out and will return at (specified time)" or "out and time of return unknown," "is absent from the city," and similar reports advising the calling subscriber of the facts ascertained when failure to complete the order is due solely to the circumstances of the called person or to fault in describing the location of the called person, and when all of the work preliminary to establishing communication with the called person is done.

(4) When communication between the designated persons cannot be established because the designated person at the calling station is absent at the calling station; *provided* that no charge shall be made in such cases where the delay, if any, in establishing connection is greater than one hour.

(5) When the designated person at the calling station refuses to talk when the facilities for communication have been established.

3. Appointment Calls.

Appointment Calls are Person-to-Person calls, the order for which provides that communication is to be arranged for to take place at a specified time.

4. Messenger Calls.

Messenger Calls are Person-to-Person calls requiring the use of a messenger to secure attendance of a designated person at one of the public pay stations at the distant point.

5. Collect Calls.

Collect Calls are Person-to-Person calls, the charges for which are "reversed," i. e., to be collected from the subscriber of the distant station at which the call is to be completed.

II. STANDARD TOLL RATES FOR STATION-TO-STATION MESSAGES.

Effective 12:01 A. M., January 21, 1919, the following initial period rates are made standard throughout the United States for Station-to-Station toll messages, where the distance between the exchanges, or toll points, does not exceed 40 miles by direct air line measurement:

<i>For Distances More Than</i>	<i>But Not More Than</i>	<i>Initial Rate Is</i>
0 miles	6 miles	\$0 05
6 miles	12 miles	10
12 miles	18 miles	15
18 miles	24 miles	20
24 miles	32 miles	25
32 miles	40 miles	30

C. L. 88]

The following initial period rates are made standard for Station-to-Station toll messages for all distances in excess of 40 miles by direct air line measurement:

<i>For Distances More Than</i>	<i>But Not More Than</i>	<i>Initial Rate Is</i>
40 miles	48 miles	\$0 35
48 miles	56 miles	40

For each additional 8 miles or fraction thereof, 5 cents additional.

For the purpose of applying standard rates where the direct air line distance between points is in excess of 40 miles, distance shall be determined as the air line distance between the centers of blocks 7 miles square, within which the points of communication are located, and where the distance is in excess of 350 miles by the air line distance between the centers of sections 35 miles square.

The block and section scaling system for purposes of measuring toll rate distance between points more than 40 miles distant by direct measurement, shall consist of a grid containing sections 35 miles square, each section subdivided into 25 blocks 7 miles square, so placed on a polyconic projection of a Government Survey map of the United States that section lines coincide with a line drawn approximately north and south through the center of the United States and with a line at right angles thereto passing through the northwestern international boundary line in the Strait of Georgia.

III. STANDARD TOLL RATES FOR OTHER CLASSES OF TOLL CALLS.

Effective 12:01 A. M., January 21, 1919, the following toll message rates are established for Person-to-Person Calls, Appointment Calls and Messenger Calls:

1. The initial period rates for Person-to-Person Calls shall be approximately 25 per cent. in addition to the Station-to-Station rates between the same points, in accordance with the Schedule of Computed Rates for Person-to-Person, Appointment and Messenger Toll Calls, attached hereto, and hereby made a part of this order; but no Person-to-Person rate shall be less than 20 cents.

2. In those cases where Person-to-Person Calls are not completed and a report is made or the conditions are such as described in Paragraph I. 2-(c), of this order, a Report Charge shall be made of approximately one-fourth the initial rate for Station-to-Station messages between the same points, in accordance with the Schedule of Computed Rates for Person-to-Person, Appointment and Messenger Toll Calls, attached hereto and hereby made a part of this order; but no Report Charge shall be less than 10 cents for any one call, nor more than \$2.00.

3. The rates for Appointment Calls shall be approximately 50 per cent. in addition to the rates for Station-to-Station messages between the

same points in accordance with the Schedule of Computed Rates for Person-to-Person, Appointment and Messenger Toll Calls, hereto attached and hereby made a part of this order; but in the case of any Appointment Call order, where the distant station is reached, whether the appointment be made or not, the Report Charge applicable in case of Person-to-Person calls between the same points shall be made. No Appointment Calls shall be accepted where the Station-to-Station rate is less than 15 cents.

4. The rates for Messenger Calls shall be the same as applied to Appointment Calls between the same points, plus any charges that may be required for the service of messengers. No Messenger Calls shall be accepted where the Station-to-Station rate is less than 15 cents.

IV. STANDARD TOLL NIGHT RATES.

Effective 12:01 A. M., January 21, 1919, the following reductions shall be made in the rates and charges for Station-to-Station messages only, between the hours of 8:30 P. M. and 4:30 A. M.:

1. Between the hours of 8:30 P. M. and 12 midnight, the Night Rates for Station-to-Station messages shall be approximately 50 per cent. less than the regular Day Rates, in accordance with the Schedule of Computed Night Rates attached hereto and hereby made a part of this order; but no Night Rate shall be less than 25 cents.

2. Between the hours of 12 midnight and 4:30 A. M., the Night Rates shall be approximately 75 per cent. less than the established Day Rates, in accordance with the schedule of computed night rates attached hereto, and hereby made a part of this order; but no night rate shall be less than 25 cents.

3. For the purpose of applying Night Rates, the time of day at the point at which a Station-to-Station message originates shall be used.

4. Day Rates only shall be employed between the hours of 4:30 A. M. and 8:30 P. M.

V. STANDARD INITIAL PERIODS, OVERTIME PERIODS, AND OVERTIME RATES.

Effective 12:01 A. M., January 21, 1919, the following initial periods, overtime periods and overtime rates are made standard in connection with all toll calls and messages made at standard initial toll rates:

1. Standard Initial Period and Overtime Period.

Where The Initial Rate Is The Initial Period Is The Overtime Period Is

\$0 05	5 minutes	5 minutes
10	5 minutes	3 minutes
15	5 minutes	2 minutes
20	5 minutes	2 minutes
25	5 minutes	1 minute
30	3 minutes	1 minute
35	3 minutes	1 minute
All other rates	3 minutes	1 minute

C. L. 88]

Where Person-to-Person calls are accepted at the above initial rates the initial period is three minutes and the overtime period is one minute.

2. Standard Overtime Rates are as follows:

<i>Where The Initial Rate Is</i>	<i>The Overtime Rate Is</i>
\$0 05	\$0 05
10	05
15	05
20	05
25	05
30	10
35	10

and thereafter approximately 1/3 of the initial rate, and in no case more than 1/3 of the initial rate, in accordance with the Table of Computed Overtime Charges hereto attached and hereby made a part of this order.

A. S. BURLESON, Postmaster General.

SCHEDULE OF COMPUTED RATES FOR PERSON-TO-PERSON, APPOINTMENT AND MESSENGER TOLL CALLS.

<i>When the Station-to-Station Day Rate is</i>	<i>The Completed Person-to-Person Rate is</i>	<i>The Completed Appointment and Messenger Rate is</i>	<i>The Report Charge is</i>
\$0 05	not quoted	not quoted	not quoted
10	not quoted	not quoted	not quoted
15	\$0 20	\$0 25	\$0 10
20	25	30	10
25	30	35	10
30	40	45	10
35	45	50	10
40	50	60	10
45	55	65	15
50	60	75	15
55	65	80	15
60	75	90	15
65	80	95	20
70	85	1 05	20
75	90	1 10	20
80	1 00	1 20	20
85	1 05	1 25	25
90	1 10	1 35	25
95	1 15	1 40	25
1 00	1 25	1 50	25
1 05	1 30	1 55	30
1 10	1 35	1 65	30
1 15	1 40	1 70	30
1 20	1 50	1 80	30
1 25	1 55	1 85	35
1 30	1 60	1 95	35
1 35	1 65	2 00	35
1 40	1 75	2 10	35

C. L. 88]

1 45	1 80	2 15	40
1 50	1 85	2 25	40
1 55	1 90	2 30	40
1 60	2 00	2 40	40
1 65	2 05	2 45	45
1 70	2 10	2 55	45
1 75	2 15	2 60	45
1 80	2 25	2 70	45
1 85	2 30	2 75	50
1 90	2 35	2 85	50
1 95	2 40	2 90	50
2 00	2 50	3 00	50

and thereafter increasing in 5-cent steps.

and thereafter 25 per cent. in addition to the Station-to-Station day rate. When the Station-to-Station day rate is not evenly divisible by 4, 25 per cent. in addition to the Station-to-Station day rate computed to the next lower multiple of 5 cents.

and thereafter 50 per cent. in addition to the Station-to-Station day rate. When the Station-to-Station day rate is not evenly divisible by 2, 50 per cent. in addition to the Station-to-Station day rate, computed to the next lower multiple of 5 cents.

and thereafter one-fourth the Station-to-Station day rate. When the Station-to-Station day rate is not evenly divisible by 4, one-fourth the Station-to-Station day rate computed to the next higher multiple of 5 cents; but no Report Charge will exceed \$2.00.

SCHEDULE OF COMPUTED NIGHT RATES FOR STATION-TO-STATION TOLL MESSAGES.

<i>When the Day Rate is</i>	<i>The Rate Between 8:30 P. M. and 12 Mid- night is</i>	<i>The Rate Between 12 Midnight and 4:30 A. M. is</i>
\$0 05	day rate	day rate
10	day rate	day rate
15	day rate	day rate
20	day rate	day rate
25	day rate	day rate
30	\$0 25	\$0 25
35	25	25
40	25	25
45	25	25
50	25	25
55	30	25
60	30	25
65	35	25
70	35	25
75	40	25
80	40	25
85	45	25
90	45	25
95	50	25
1 00	50	25
1 05	55	30
1 10	55	30
1 15	60	30
1 20	60	30
1 25	65	35
1 30	65	35
1 35	70	35
1 40	70	35
1 45	75	40
1 50	75	40
1 55	80	40
1 60	80	40
1 65	85	45
1 70	85	45
1 75	90	45
1 80	90	45
1 85	95	50
1 90	95	50
1 95	1 00	50
2 00	1 00	50

and thereafter increasing in 5-cent steps.

and thereafter one-half the day rate. When the day rate is not evenly divisible by 2, one-half the day rate, computed to the next higher multiple of 5 cents.

and thereafter one-fourth the day rate. When the day rate is not evenly divisible by 4, one-fourth the day rate, computed to the next higher multiple of 5 cents.

L. 88]

SCHEDULE OF COMPUTED OVERTIME CHARGES.

Where the Initial Rate is	The Initial Period is	The Overtime Rate is	The Computed Charges are for:									
			4 Minutes	5 Minutes	6 Minutes	7 Minutes	8 Minutes	9 Minutes	10 Minutes			
\$0 05	5 minutes	\$0 05	\$0 05	\$0 05	\$0 10	\$0 10	\$0 10	\$0 10	\$0 10	\$0 10	\$0 10	\$0 10
10	5 minutes	05	10	10	15	15	15	15	20	20	20	20
15	5 minutes	05	15	15	20	20	20	25	25	25	25	30
20*	5 minutes	05	20	20	25	25	25	30	30	30	30	35
25*	5 minutes	05	25	25	30	30	35	40	45	45	45	50
30	3 minutes	10	40	50	60	60	70	80	90	90	90	1 00
35	3 minutes	10	45	55	65	75	85	95	1 00	1 00	1 00	1 05
40	3 minutes	10	50	60	70	80	90	1 00	1 10	1 10	1 10	1 15
45	3 minutes	15	60	75	90	1 05	1 20	1 35	1 50	1 50	1 50	1 55
50	3 minutes	15	65	80	95	1 10	1 25	1 40	1 55	1 55	1 55	1 60
55	3 minutes	15	70	85	1 00	1 15	1 30	1 45	1 60	1 60	1 60	1 65
60	3 minutes	20	80	1 00	1 20	1 40	1 60	1 80	2 00	2 00	2 00	2 05
65	3 minutes	20	85	1 05	1 25	1 45	1 65	1 85	2 05	2 05	2 05	2 10
70	3 minutes	20	90	1 10	1 30	1 50	1 70	1 90	2 10	2 10	2 10	2 15
75	3 minutes	25	1 00	1 25	1 50	1 75	2 00	2 25	2 50	2 50	2 50	2 55
80	3 minutes	25	1 05	1 30	1 55	1 80	2 05	2 30	2 55	2 55	2 55	2 60
85	3 minutes	25	1 10	1 35	1 60	1 85	2 10	2 35	2 60	2 60	2 60	2 65
90	3 minutes	30	1 20	1 50	1 80	2 10	2 40	2 70	3 00	3 00	3 00	3 05
95	3 minutes	30	1 25	1 55	1 85	2 15	2 45	2 75	3 05	3 05	3 05	3 10
1 00	3 minutes	30	1 30	1 60	1 90	2 20	2 50	2 80	3 10	3 10	3 10	3 15

and thereafter in- and thereafter 3 and thereafter in accordance with the above applied system of computation, creasing in 5-cent minutes for all the initial rate to the for each higher rate for each additional overtime period or fraction thereof. steps. rates. nearest multiple of 5 cents, but not more than one-third the initial rate.

* Where Person-to-Person calls are accepted at these rates the initial period is three minutes and the overtime period is one minute.

"Q. In so far, Mr. Noble, as this order requires practices or charges different from that in effect pursuant to the orders of this Commission it is being done by your people?"

A. Yes, sir, it is. • • • "

Mr. C. W. Blueier, manager of the Maney Export Company, 601 Grain Exchange Building, Oklahoma City, Oklahoma, testified as follows:

"On January 28 I put in a call to Walter, Oklahoma, the rate for three minutes being 85 cents, and should be 75 cents, according to the old schedule; on January 30 we had a call to Frederick, five minutes, with a charge of \$1.55, under old schedule should have been \$1.45; February 1 we had a call to Enid, four minutes, charge 85 cents, old schedule rate 75 cents; February 1 we had a call to Walter, three minutes, 85 cents charge, old schedule 75 cents. These charges which I have here for the new schedule were secured after much effort from the telephone company's bookkeeper, as we will not get a bill for it until the end of the month, which is now made to end on the twenty-first of each month, instead of the calendar month."

There is, therefore, no controversy as to the facts. The Southwestern Bell Telephone Company has absolutely disregarded the rates and practices prescribed by the Commission.

The injurious nature of the rates and practices as to small exchanges and short line hauls is shown by the testimony of the witnesses. Person to person calls will not be received where the distance is less than 12 miles and the rates is less than 15 cents. Neither will messenger service be furnished for this class of business. The commission paid by the Southwestern Bell Telephone Company and the prorate of receipts to the small exchanges is too low to pay for the cost of handling the business.

Mrs. Fannie Bell, who owns and operates a small exchange at Kiowa, Oklahoma, testified as follows:

"The day (January 21, 1919), the order went into effect a drummer came in and wanted to call up a party at Savanna, 8 miles away, and they could not take the call. The roads were bad and he couldn't drive over there, and he offered any price if they would send a messenger to the party he wanted, who was just across the street from the office, but they would not do it.

J. L. 88]

Q. That was the Bell telephone company?

A. Yes, sir.

Q. How do you fare under your new arrangement with the Bell people?

A. Not very well. Even if the places where I have my lines are only small places, I think they need the service as bad as they do here in Oklahoma City. As it is, we would be compelled to discontinue those lines under present rules."

Mr. D. F. Gore, an attorney at law, Tulsa, Oklahoma, testified that on the twenty-first day of January, 1919, he placed a call from his office to a certain person in a small place called Oakhurst, about midway between Tulsa and Sapulpa, and a distance of about 7 miles, and that the operator informed him that she could not accept a Person-to-Person call at Oakhurst.

Mr. George Youngblood, owner and manager of the Ripley Automatic Telephone Company, Ripley, Oklahoma, testified as follows:

"Q. What is your complaint against the Southwestern Bell Telephone Company?

A. They will not let us place our calls like we did before.

Q. What calls do they refuse to accept?

A. Person-to-Person calls where the rate is 10 cents. We have four towns within 12 miles of our place and the rate to each of them is 10 cents. We have one station that we have another line to and from any of these places to ours the rate is only 10 cents. We cannot place a Person-to-Person call to any of those stations, and one of them is the county seat and another is an oil town, Cushing. My patrons complain that if they want to place a Person-to-Person call or send a messenger they should be allowed to do so, as we have the lines and they are willing to pay for the service and ask why they cannot get the service, as that is what they want. We have made no complaint on the price before, but we have lost two telephones on account of it, and will lose more if that system is continued. The report charge bothers us some, but we can get along with it. In one case some one at the hotel wanted to talk to a lady's son who was in Cushing. It was a lady and she wanted to talk to her son, but did not know just where to locate him, and she called the Tungston Hotel to ask a party about him, and when she got the party on the line he refused to talk and they charged her 10 cents. She wanted them to send out a messenger and the operator refused to do so, and she had a 10-cent report charge. And the whole rate is just 10 cents. She

then called the police station, and finally this man got the information from some source that some one wanted to talk to him from Ripley, and they would not tell him who it was and he put in a call for me at Ripley, and I told him his folks wanted him, and put him on the line with them and he talked to her and he had to pay for the call back to Ripley. That is the kind of service our people do not like. The oil men there saw that I could not help it, and the Bell people say they cannot help it, but are doing the best they can. But that doesn't take care of my business. Those oil fellows are not using the telephone, but say they will go over in a car. Mr. J. K. Monday has charge of some 500 or 600 head of cattle and the man that owns them lives in Cushing, and he wanted to place an appointment call for six o'clock, but he could not place the call. He wanted to talk to him and no one else and the company would not accept it.

Q. That is the Southwestern Bell company?

A. Yes, sir, they refused to take the call and he said: 'Well, I can write — that's the only way to get word to him.'

Q. Does it cost more or less for service now where you try to get a Station-to-Station call than it did when you got Person-to-Person calls?

A. All the way through our rates are 20 per cent. to 25 per cent. higher. Our rate to Oklahoma City, under the last revision was 45 cents and now the rate is 50 cents.

Q. As I understand you, it costs you more to handle the business?

A. Yes, sir. We work on a commission and our commission is lost on a 10-cent ticket and we have considerably more work. When we report to the company we have to mark our tickets 'Station-to-Station,' 'Person-to-Person' or 'Appointment' rates.

Q. Does this commission pay you what it takes to handle the business?

A. No, I cannot get enough out of it to pay for making out the bills and the operators.

Q. You do not think it has increased the volume of the business?

A. No, sir. We have lost calls and our work has doubled up because we have to call two or three times and we get less pay out of it."

Mr. O. R. Dunn, owner and manager of the Poteau Telephone Company, testified that persons would not talk on Station-to-Station calls; that the new rates put into effect by the Southwestern Bell Telephone Company were sufficient rates on long hauls, but that the rate on short hauls is so low that it is impossible to do business under these rates.

C. L. 88]

Mr. N. S. Lamar, manager of the Twin Valley Telephone Exchange, Morrison, Oklahoma, testified that under the new division of rates with the Southwestern Bell Telephone Company that his exchange could not keep up its lines.

THE DEFENSE OF THE DEFENDANT TELEPHONE COMPANY.

The officers and agents of the Southwestern Bell Telephone Company admit that the rates, charges and practices put in effect on the twenty-first day of January, 1919, kept in effect since that date, and continuing to be kept effective are different from the rates, charges and practices in effect under the orders of the Corporation Commission. Neither do they deny that these rates are higher than the rates prescribed by the orders of the Corporation Commission.

There is no defense on the ground that application was made to the Commission for an increase or a change in the rates prescribed by the Corporation Commission. There is no allegation on the part of the defendant telephone company that the rates prescribed by the Corporation Commission were unreasonable or that they were not high enough to bring to the telephone company an adequate return on its property. Neither is the question of the reasonableness of Commission's Order No. 101* brought into question. The sole and only defense made by the telephone company is that it is acting under orders from the Postmaster General and that the rates, charges and practices installed on the twenty-first day of January, 1919, were at the instance and the order of the Postmaster General.

The authority for this order of the Postmaster General is said to be derived from a resolution of Congress, bearing date of July 16, 1918, and the Proclamation of the President of the United States, embodying and based upon this resolution of Congress, and bearing date of July 22, 1918.

The contention of the State and the gist of the defense of the telephone company, is the proviso of the aforesaid

* II. C. T. C. 729.

Joint Resolution of Congress; or, as stated by Mr. S. H. Harris, attorney for the telephone company,

"The whole point of contention rests on this resolution. • • • I will read the proviso or last paragraph:

'*Provided further*, that nothing in this Act shall be construed to amend, repeal, impair, or affect existing laws or powers of the states, in relation to taxation or the lawful police regulations of the several states, except wherein such laws, powers, or regulations may affect the transmission of government communication, or the issue of stocks and bonds by such system or systems.' "

RESOLUTION OF CONGRESS DOES NOT GIVE FEDERAL GOVERNMENT POWER OVER INTRASTATE RATES.

There is a very serious question as to whether Congress could exercise control over intrastate rates should it choose to do so, without first securing an amendment to the Constitution permitting it to do this. We are of the opinion that it could not, and we think the cases fully support our position therein. But for the purpose of this case we see no reason to spend time discussing this point, as we are fully convinced that Congress has not in the aforesaid resolution of July 16, 1918, or by any other resolution or law, given to the President of the United States, the Postmaster General or any other government official, governmental agency, or department of government any control over purely intrastate rates.

We quote, however, on the foregoing, what was said in the brief of the Nebraska State Railway Commission, in the case of *Railway Commission v. Lincoln Telephone and Telegraph Company, et al.*, recently argued in the United States District Court of Nebraska, Lincoln Division:

"THE POWER OF THE STATE TO CONTROL INTRASTATE RATES IS COMPLETE EXCEPT AS IT MAY INVOLVE DISCRIMINATION IN RELATION TO INTERSTATE COMMERCE.

Cases without number might be cited to show that the states did not surrender their power over intrastate commerce. This was recognized in the *Federalist* (No. XLII Madison). The earlier cases asserted the power of the states over intrastate commerce more broadly; the later cases

L. 88]

recognize the power of Congress over intrastate commerce so far as to prevent discrimination. In the *Shreveport Case*, 234 U. S. 342, 58 L. Ed. 1341, the *Minnesota Rate Case* is quoted as follows:

‘It is urged, however, that the words of the proviso (referring to the proviso above mentioned) are susceptible of a construction which would permit the provisions of Section 3 of the Act, prohibiting carriers from giving an undue or unreasonable preference or advantage to any locality, to apply to unreasonable discriminations between localities in different states, as well when arising from an intrastate rate as compared with an interstate rate as when due to interstate rates exclusively. If it be assumed that the statute should be so construed, and it is not necessary now to decide the point, it would inevitably follow that the controlling principle governing the enforcement of the Act should be applied to such cases as might thereby be brought within its purview; and the question whether the carrier, in such a case, was given an undue or unreasonable preference or advantage to one locality as against another, or subjecting any locality to an undue or unreasonable prejudice or disadvantage, would be primarily for the investigation and determination of the Interstate Commerce Commission, and not for the courts.’

When Section 1 of the Interstate Commerce Act was being considered by Congress the opinion seemed to have been unanimous that Congress had no power to control intrastate rates. Senator Cullom, one of the managers on the part of the Senate, used this language, Vol. 18, Part 1, 49th Congress, 2d Session, page 484:

‘It must be borne in mind, however, that any measure which Congress can enact upon this subject may prove to some extent ineffective and unsatisfactory until it has been supplemented by similar state legislation, just as the state legislation now in force in many of the states has been found ineffective and unsatisfactory in some respects because of the absence of national legislation. There is no way in which the entire internal commerce of the country can be subjected at once to the same uniform plan of regulation under the Constitution as it stands. Much of this commerce is beyond the jurisdiction of Congress, but if we will apply just and proper regulations to the interstate commerce now subject to our control under the Constitution, I am satisfied that within a few years the states which have not already done so will enact similar regulations, and eventually the entire internal commerce of the country will be placed under a substantially uniform plan of regulation.’

And Mr. Crisp, one of the managers on the part of the House, said (same Vol., page 781):

‘The Congress of the United States has no authority under the Constitution to regulate the transportation of commerce wholly within a state. The states of the American Union under the Constitution have no

right to regulate the transportation of commerce between the states. The line is clearly marked.'

The proviso of Section 1 of the Commerce Act is as follows:

'Provided, however, that the provisions of this Act shall not apply to the transportation of passengers or property, or to the receiving, delivering, storage, or handling of property wholly within one state and not shipped to or from a foreign country from or to any state or territory as aforesaid, nor shall they apply to the transmission of messages by telephone, telegraph or cable wholly within one state and not transmitted to or from a foreign country or to any state or territory as aforesaid.'

The expressions are quoted as a means of interpreting the proviso. They indicate what was apparently the unanimous intent of Congress as to the saving the control of intrastate rates to the several states. If the Act relating to telephones and telegraphs is to be construed as the defendants desire, then it must be held that the proviso above set forth has been repealed and all of the vast array of decisions sustaining the power of the states must be overturned, and it is plain that it cannot be done under the power over interstate commerce. If done at all it must have been done under the war power. This is the view taken by most of those who have discussed this subject. It is suggested in the brief of the defendants (page 40) that Congress legislated under its power to establish post-offices and postroads. We hardly see how such a contention can benefit the defendants, for it is a concession that the companies were taken over under the civil power of Congress and not under its war powers. Under what Constitutional power did the President take over the telephones and telegraphs? The President is the chief civil officer of the United States as well as the head of its military and naval forces, so that the taking over, as far as the President is concerned, may have been in either capacity. It is plain that where there is imminent necessity, of which the President must be the sole judge, he may take telephone and telegraph lines for military purposes, and having accomplished his aims return them to their owners, leaving the matter of compensation to be fixed later by the courts. Such would be a pure taking over the lines for military purposes and the President undoubtedly has such power in case of invasion or insurrection in the absence of any statute specifically conferring it. A general military commander in the field has such power, 55th Article of War, *Dow v. Johnson*, 100 U. S. 158, 25 L. Ed. 632. The use of railroads and telegraph lines during the Civil War was under an Act of Congress passed in 1862, which provides as follows:

'Be it enacted, etc., that the President of the United States, when in his judgment the public safety may require it, be, and he is hereby, authorized to take possession of any or all the telegraph lines in the United States, their offices and appurtenances; to take possession of any or all the railroad lines in the United States, their rolling stock, their offices, shops, buildings, and all their appendages and appurtenances; to

C. L. 88]

prescribe rules and regulations for the holding, using, and maintaining of the aforesaid telegraph and railroad lines and to extend, repair, and complete the same in the manner most conducive to the safety and interest of the government; to place under military control all the officers, agents, and employees belonging to the telegraph and railroad lines thus taken possession of by the President, so that they shall be considered as a post-road and a part of the military establishment of the United States, subject to all the restrictions imposed by the rules and articles of war.'

Cong. Record, Vol. 56, page 2419.

If the wire lines constitute a part of the military establishment they must be governed, of course, by military rule. Martial law not having been proclaimed in any part of the United States and the ordinary civil government not having been superseded by a military government, the statement that they are governed by military law can only be properly made if the lines constitute a part of the military establishment.

Military law is the body of rules and regulations that have been prescribed for the governing of the army and the navy and for the militia when called into active service. The Supreme Court of the United States has clearly defined the different branches of military authority as follows:

'There are under the Constitution three kinds of military jurisdiction: one to be exercised both in peace and war; another to be exercised in time of foreign war without the boundaries of the United States, or in time of rebellion and civil war within states or districts occupied by rebels treated as belligerents; and a third to be exercised in time of invasion or insurrection within the limits of the United States, or during rebellion within the limits of states maintaining adhesion to the National Government, when the public danger requires its exercise. The first of these may be called jurisdiction under military law, and is found in Acts of Congress prescribing rules and articles of war, or otherwise providing for the government of the national forces; the second may be distinguished as military government, superseding, as far as may be deemed expedient, the local law, and exercised by the military commander, under the direction of the President, with the express or implied sanction of Congress; while the third may be denominated martial law proper, and is called into action by Congress or temporarily when the action of Congress cannot be invited and in the case of justifying or excusing peril, by the President, in times of insurrection or invasion, or of civil or foreign war, within districts or localities where ordinary law no longer adequately secures public safety and private rights.'

Ex parte Milligan, 4 Wall. 2, 1 L. Ed. 281.

As a matter of fact, no military element attached to the taking of possession of the lines by the President except as specified in the Act itself, and it must be clearly borne in mind that the military power is always subordinate to the civil power, *Dow v. Johnson*, *supra*, and unless the civil power has been supplanted by a military government, the President

would act in his civil and not in his military capacity and as a federal officer he would require federal legislation to enable him to operate the telephone and telegraph lines. The law is silent as to the lines being operated by military officers and as a matter of fact its entire administration was committed to civil officers. It is a general principle of military control that everything shall be done through military channels, not that every person connected with the service would have to be in the army for many things are done through civilian employees, but the management would have to be a part of the military establishment, which, of course, is not true in the present instance. If there be doubt as to whether the control is civil or military it should be resolved in favor of the former in view of the fact that the civil power is always deemed dominant.

In *Raymond v. Thomas*, 91 U. S. 712, the rule is laid down thus:

'It is an unbending rule of law, that the exercise of military power, where the rights of the citizens are concerned, shall never be pushed beyond what the exigency requires.'

If the law vest the rate-making power in the President, the Commerce Act is so far repealed. Repeals by implication are obnoxious and it cannot be fairly considered that Congress would repeal so important a part of the Act to Regulate Commerce without some reference to it in the Act itself, or at least that the matter would have been fully discussed by Congress. Only a few references are made in the debates to the effect of the new Act upon the making of rates, and none of them, so far as we have discovered, refer to any change in the Act to Regulate Commerce. In the face of the commerce statute it seems impossible that a narrow construction should be given to the proviso in the statute giving the President control of telephones and telegraphs. As Congress conferred no rate-making power on the President, as it did in the case of the railways, it seems clear, not considering the proviso at all, that there was no intention to interfere with intrastate rate-making."

We also call attention to the most recent pronouncement of the Supreme Court of the United States on state control of intrastate commerce, in the case of *Hammer v. Dagenhart*, (U. S. Adv. Ops. 1917-18, pages 660, 663-664). The court says:

"The grant of power to Congress over the subject of interstate commerce was to enable it to regulate such commerce, and not to give it authority to control the states in their exercise of the police power over local trade and manufacture.

The grant of authority over a purely federal matter was not intended to destroy the local power always existing and carefully reserved to the states in the 10th Amendment to the Constitution.

Police regulations relating to the internal trade and affairs of the states have been uniformly recognized as within such control. 'This,' said this court in *United States v. Dewitt*, 9 Wall. 41, 45, 19 L. Ed. 593, 594, 'has been so frequently declared by this court, results so obviously from the terms of the Constitution, and has been so fully explained and supported on former occasions, that we think it unnecessary to enter again upon the discussion.' See *Kellar v. United States*, 213 U. S. 138, 144-146, 53 L. Ed. 737-740, 29 Sup. Ct. Rep. 470, 16 Ann. Cas. 1066; *Cooley*, Const. Lim. 7th Ed. p. 11.

In the judgment which established the broad power of Congress over interstate commerce, Chief Justice Marshall said (9 Wheat. 203, 6 L. Ed. 72): 'They (inspection laws) act upon the subject before it becomes an article of foreign commerce, or of commerce among the states, and prepared it for that purpose. They form a portion of that immense mass of legislation which embraces everything within the territory of a state, not surrendered to the general government—all of which can be most advantageously exercised by the states themselves. Inspection laws, quarantine laws, health laws of every description, as well as laws for regulating the internal commerce of a state, and those which respect turnpike roads, ferries, etc., are component parts of this mass.'

A statute must be judged by its natural and reasonable effect. *Collins v. New Hampshire*, 171 U. S. 30, 33, 34, 43 L. Ed. 60-63, 18 Sup. Ct. Rep. 766. The control by Congress over interstate commerce cannot authorize the exercise of authority not intrusted to it by the Constitution. *Pipe Line Cases*, (*United States v. Ohio Oil Co.*), 234 U. S. 548, 560, 58 L. Ed. 1459, 1470, 34 Sup. Ct. Rep. 956. The maintenance of the authority of the states over matters purely local is as essential to the preservation of our institutions as is the conservation of the supremacy of the federal power in all matters intrusted to the nation by the Federal Constitution.

In interpreting the Constitution it must never be forgotten that the nation is made up of states, to which are intrusted the powers of local government. And to them and to the people the powers not expressly delegated to the national government are reserved. *Lane County v. Oregon*, 7 Wall. 71, 76, 19 L. Ed. 101, 104. The power of the states to regulate their purely internal affairs by such laws as seem wise to the local authority is inherent, and has never been surrendered to the general government. *New York v. Miln*, 11 Pet. 102, 139, 9 L. Ed. 648, 663; *Slaughter-House Cases*, 16 Wall. 36, 63, 21 L. Ed. 394, 404; *Kidd v. Pearson*, *supra*. To sustain this statute would not be, in our judgment, a recognition of the lawful exertion of congressional authority over interstate commerce, but could not sanction an invasion by the federal power of the control of a matter purely local in its character, and over which no

authority has been delegated to Congress in conferring the power to regulate commerce among the states.

We have neither authority nor disposition to question the notices of Congress in enacting this legislation. The purposes intended must be attained consistently with Constitutional limitations, and not by an invasion of the powers of the states. This court has no more important function than that which devolves upon it the obligation to preserve inviolate the Constitutional limitations upon the exercise of authority, federal and state, to the end that each may continue to discharge, harmoniously with the other, the duties intrusted to it by the Constitution."

**POWER OVER INTRASTATE RATES, RESERVED TO THE STATES BY
THE JOINT RESOLUTION OF CONGRESS OF JULY 16, 1918.**

The language of the Resolution of Congress of July 16, 1918, is clear, and is so plain that there can be no doubt but that Congress meant to reserve to the states power over intrastate rates. In the Railway Act of March 21, 1918, the power was expressly given to the President to initiate interstate rates. The language of Section 15 of this Act, reserving to the states their police powers, is almost identical with the language of the proviso reserving to the states their police powers in reference to telephone and telegraph companies. Prior to the passage of any of these Acts the President had no control over rates, either state or interstate. Whatever power he has in reference to rates is derived solely from the statutes. The fact that Congress thought it necessary to vest in him the power to initiate rates under the Railway Act is strong indication that it did not give him the power with respect to telephone rates. The words of the proviso of the aforesaid resolution of July 16, 1918, repeated here for convenience:

" Provided further, that nothing in this Act shall be construed to amend, repeal, impair, or affect existing laws or powers of the states, in relation to taxation or the lawful police regulations of the several states, except wherein such laws, powers, or regulations, may affect the transmission of government communication, or the issue of stocks and bonds by such system or systems."

The pertinent question in the construction of this proviso is whether police regulations, reserved to the states, include

the power to make rates. It is apparent that the term "police regulations" is used with the same meaning as the term "police powers." The two terms are generally used synonymously, and the identity of "police regulations" with the "police powers" has been several times established. See the cases of *Chicago, Burlington and Quincy Railway Company v. Illinois*, 200 U. S. 561, *Railroad Company v. Fuller*, 84 U. S. 560, *Sligh v. Kirkwood*, 237 U. S. 59.

Fuller in his text on Interstate Commerce, page 17, says:

"In any consideration of the commerce clause of the Constitution one of the most interesting and yet troublesome questions is that presented by the so-called police powers of the states and by the exercise by the different states of that authority which may be said to rest in the states subordinate only to such legislation as Congress shall at any time enact under its Constitutional authorization. Unfortunately the term 'police power' is generally loosely and inaccurately used in confusion with the class of municipal regulations. The word comes to us from the Greek '*polis*', meaning state or commonwealth, and if used in its derivative sense conveys the proper meaning. The term refers to the inherent powers of sovereignty which belong to any autonomous state. In the 'License Cases' Chief Justice Taney discussed these powers in the following words:

'What are the police powers of a state? They are nothing more or less than the powers of the government inherent in every sovereignty to the extent of its dominions. And whether a state passes a quarantine law, or a law to punish offenses, or to establish courts of justice, or requiring certain instruments to be recorded, or to regulate commerce within its own limits, in every case it exercises the same power; that is to say, the power of sovereignty, the power to govern men and things within the limits of its dominions. It is by virtue of this power that it legislates; and its authority to make regulations of commerce is as absolute as its power to pass health laws, except in so far as it has been restricted by the Constitution of the United States.'

Among other cases which hold that "police powers" or "police regulations" are broad enough to include, and do include, the making of rates by state regulative bodies, may be cited the following: *Munn v. Illinois*, 94 U. S. 113; *Hennington v. Georgia*, 163 U. S. 299; *Noble State Bank v. Haskell*, 219 U. S. 104, 109; *Minnesota Rate Cases*, 230 U. S. 562; *Atlantic Coast Line v. Georgia*, 234 U. S. 294;

Seaboard Air Line v. Georgia, 240 U. S. 324; *German Alliance Insurance Company v. Lewis*, 233 U. S. 389.

That the regulation of rates is an exercise of police power, or is a police regulation, is recognized by Freund in his excellent work, "Police Power." In Section 377, page 387, of this book he refers to rates of railroads, telegraph and telephone companies, etc., and says:

"Since the common regulating factor, competition, is absent, a condition is presented which calls for the exercise of police power for the prevention of oppression."

He further discusses the application of "police power" in the regulation of charges for businesses such as the telephone in the following sections of this book. In Section 379, page 389, he discusses the celebrated case of *Munn v. Illinois*, and the application of the police power in regulating charges for grain elevators.

There is no doubt in the minds of the members of this Commission but that when Congress reserved to the states the lawful police regulations that it thereby and therein reserved to the states the power to make and enforce intrastate rates.

Inasmuch as Congress reserved to the states the power to make and enforce an intrastate business, the Postmaster General has no jurisdiction or authority therein, and any order made or issued by him is null and void and of no legal effect. His orders therein have not the force of the Postmaster General acting in the capacity of Federal Director of Telephones, but they are without legal sanction and have in law no force or effect. His orders, in law, amount to no more than would the orders of John Doe or Richard Roe, when applied to intrastate rates. His actions, therefore, deserve no greater consideration, when made without authority of law, than would the orders of any private citizen or any other usurper of power.

In a number of the other states, the courts, an application of the Public Utilities Commission and the Attorney General, have granted temporary restraining orders or

C. L. 88]

injunctions against the telephone companies prohibiting the installation or maintenance of the charges and practices instituted at the request of the Postmaster General.

In the case of the *State of Ohio v. The Ohio State Telephone Company**, No. 78917, in the Court of Common Pleas, Franklin County, Ohio, Judge Kincaid, in granting application for temporary restraining order, said:

"The powers of the government in such possession and operation are limited to the necessity of national security and defense, and have not the slightest relation to the attempted unwarranted act of the Postmaster General which he is now undertaking. The Postmaster General has such powers only as are expressly and impliedly conferred by the joint resolution; and he has no power or control whatsoever over the question of changed or new rates for service in private intrastate or interstate business of such companies, such as is involved in the rates now sought to be promulgated.

The operation of the government is limited by joint resolution to 'such manner as may be needful or desirable', and 'necessary for the national security or defense', of the nation. Operation in such manner as may be considered needful or desirable by the Postmaster General has specific reference to war control for specific war businesses in the transmission of governmental communications. It has no reference to such arbitrary and unauthorized control as is now being attempted in interference with state rights and state authority.

It was not by any means intended that the Postmaster General was to have authority to inaugurate new or changed rates as those in question, which in no way affect the governmental service.

These considerations drawn from the plain provisions of the Act of Congress not only show a want of power in the Postmaster General to fix rates, as is here attempted, regardless of our State laws, and the powers of the Utilities Commission, but on the other hand the Act of Congress expressly provides that the existing state laws of police regulations which remain in force, shall not be construed as amended, repealed or impaired.

The Postmaster General under the guise of his control of the telephone systems for war purposes certainly cannot override Sections 614-64 to 614-67, inclusive, and thereby enable a public utility to do indirectly, under an alleged war pretext, what such Public Utility Commission itself cannot do.

* See Commission Leaflet No. 87, p. 1072.

Certainly the Postmaster General should not thus, without warrant or authority of law, under the guise of his governmental control, be the means of causing such a public utility to break and destroy the laws of our State, thus violating the plain and fundamental object and purposes of the Act which authorized him to assume control.

The regulations provided for in Sections 614-64 to 614-67, inclusive, are well known police regulations of the State, and are in full force and effect and are matters with which the Postmaster General, under the limited powers given him by the Act of Congress, has no possible concern. * * * * * The Act of Congress does not authorize the Governmental Custodian for war purposes to thus ruthlessly override state rights, state laws, and state officials, to whom is committed the powers and duties relating to such matters by our own laws and statutes."

The United States District Court of Indiana, on the eighteenth day of January, 1919, in the case of *Public Service Commission of Indiana v. American Telephone and Telegraph Company, et al.*, granted a temporary restraining order on the ground that the attempted putting into effect of rates prescribed by the Postmaster General was an abuse of war powers vested in federal officers.

The federal courts have not been uniform in their holding that injunction against a telephone company, during the purported operation by the Postmaster General, would lie. Those courts which have dismissed applications for injunctions have done so apparently on the ground that inasmuch as the Postmaster General was made a party to the proceedings, that service on him could be had only at his place of residence. But the state courts have uniformly held that the telephone companies have no right, under the laws to put into effect rates purported to be prescribed by the Postmaster General.

On February 1, 1919, Judge Slate of the Circuit Court of Cole County, Missouri, refused to set aside a temporary injunction granted by the court on January 22, 1919, enjoining the going into effect of toll rates prescribed by the Postmaster General in Order No. 2495, and commanded that the company observe the rates, charges and regulations on file with the Commission next prior to January 21, 1919. Judge Slate held that the Joint Resolution of Congress

C. L. 88]

reserved to the states power over intrastate rates, except so far as government messages are concerned.

The Supreme Court of South Dakota, on the twentieth day of January, 1919, granted a temporary injunction against the Dakota Central Telephone [Company] *et al.*, restraining these companies from putting into effect rates prescribed by the Postmaster General.

The Chancery Court of Hines County, Mississippi, in the case of *State ex rel. Attorney General and Railroad Commission v. Cumberland Telephone and Telegraph Company et al.*, on the eighteenth day of January, 1919, granted a temporary restraining order against the putting into effect rates purported to be prescribed by the Postmaster General.

On the twentieth day of January, 1919, the District Court of Ramsey County, Minnesota, in the case of *State v. The Northwestern Telephone Exchange Company*, granted a temporary restraining order against the installation of rates purported to be prescribed by the Postmaster General.

The United States District Court of Kansas, on the twenty-seventh day of January, 1919, in the case of *Public Utility Commission v. Southwestern Bell Telephone Company et al.*, granted a temporary restraining order against the intrastate toll rates authorized by the Postmaster General in Order No. 2495.

The Circuit Court of Ingham County, Michigan, on the twenty-ninth day of January, 1919, in the case of *Groesbeck, Attorney General v. Michigan State Telephone Company et al.*, granted a temporary injunction against exchange rates in Detroit, authorized by the Postmaster General. The report of the court's decision as given in American Telephone and Telegraph Company's Bulletin No. 514, February 10, 1919, pages 3 and 4 is, omitting caption, as follows:

"This is a fuller report of the decision reported in Bulletin No. 507, a copy of the opinion of the court in the Detroit case having now been received.

The Attorney General, on behalf of the State, brought suit against Michigan State Telephone Company and George Welch, its general man-

ager, alleging that defendants were about to put into effect increased rates, tolls and charges authorized by the Postmaster General, for the use of facilities within the exchange area of Detroit, without first making application to, and without the assent and approval of, the Railroad Commission. An order to show cause was issued and an answer filed and argument of the parties heard.

Held: 1. The suit being one to enforce observance of the laws of the State on the part of a domestic corporation doing business within the State under authority granted by it, the injunction should issue unless the laws of the State were superseded by the authority of the Postmaster General set up by defendants as a justification.

2. The right and power of the State to regulate intrastate rates of a corporation authorized by the State to engage in public utility service was beyond question, and this regulation, under the police power, was exercised not by sufferance of Congress, but under power vested in the State, and which was still vested in the State except as power had been delegated to the United States.

3. The power assumed by the Postmaster General struck at the foundation of State government, as it transferred the seat of regulation to Washington, and left the State in the position of having granted franchise rights to do business within the State and to charge therefor such rates as the Postmaster General might direct.

4. The power of the State to regulate its domestic concerns, including regulation of intrastate rates, was absolutely essential to the preservation of local government, and there should be no surrender of such power by a far-fetched construction of the meaning of the words 'lawful police regulations' as set forth in the proviso of the Joint Resolution of Congress.

5. As to the contention of defendants that such words meant no more than regulations to protect the public health, safety and welfare, and that the Joint Resolution should be so construed and should not be construed as extending to the regulation of rates for public utility service in any degree, Congress was not defining in the proviso the police power of the states, but was saving from the operation of power vested in the President by the Joint Resolution the lawful police regulations of the states relating to the telephone systems of the country.

6. The case did not turn upon the question of whether the existing police regulations of the State were such, and such only, as lay within the exclusive power of the State, but the local power included such police regulations as the State had power to enact in the absence of legislation on the subject by Congress.

7. If the interstate business, although but a small part of the business carried on by defendant company, authorized Congress to exercise the power of regulation of rates for interstate and intrastate use, the fact remained that Congress had not exercised such power, and until it did so

C. L. 88]

the state regulatory law over the rates within the State was a lawful police regulation and must be obeyed by defendants.

8. Defendants were mistaken in insisting that the suit was against agents of the government and could not be prosecuted in the State court, since all the officers of the government, from the highest to the lowest, were creatures of law, and within their proper spheres exercised only such powers as were delegated to them by law; if they acted beyond the power so delegated their acts were void, and their badge of official employment did not raise their unauthorized acts beyond inquiry in a court having jurisdiction over the subject matter, and in which such assumed authority was asserted as a real authority, and as a reason why the court should proceed no further. (Citing *Smythe v. Ames*, 169 U. S. 466; *United States v. Lee*, 106 U. S. 196; *School of Magnetic Healing v. McNulty*, 187 U. S. 94.)

9. No attempt was made to review the action of the President in matters left for him to decide upon facts, as his action upon such matters was not open to judicial review.

10. The power of the Railroad Commission under State laws had been left fully preserved by the Joint Resolution and the Proclamation of the President, and the action of the Postmaster General was an assumption of authority on his part without warrant of law and, therefore, defendants had shown no cause for not obeying the State law, were bound to obey such law, should be restrained from doing otherwise, and the temporary injunction would issue as prayed for.

(On January 30, 1919, defendants applied to the Supreme Court of Michigan for an order to show cause why the temporary injunction should not be vacated. The Supreme Court declined to issue the order.)"

THE DEFENDANT HEREIN, THE SOUTHWESTERN BELL TELEPHONE COMPANY, CANNOT ESCAPE ITS LIABILITY FOR FINES FOR VIOLATION OF THE COMMISSION'S ORDERS ON THE PLEA THAT IT IS ACTING UNDER ORDER OF THE POSTMASTER GENERAL, IF THE LAW GIVES THE POSTMASTER GENERAL NO JURISDICTION OVER INTRASTATE RATES.

The officers of the Southwestern Bell Telephone Company allege, in substance, that they are the agents of the Postmaster General. Unless the Resolution of Congress of July 16, 1918, gives the President of the United States power to regulate intrastate rates, and unless the Postmaster General has, under this Resolution of Congress, power to prescribe interstate rates, the order of the Postmaster General will not excuse the Southwestern Bell Telephone Company

from liability for fines for violation of orders of the Corporation Commission, in putting into effect rates in excess of those prescribed by said Commission.

In 29 Cyc. 1441 it is said:

"An officer . . . is . . . liable for every act in excess of jurisdiction. This is such a fundamental principle of the English Law that there are few cases which directly discuss it."

In the case of *Little v. Barreme*, 2 Cranch (U. S.) 170, 2 L. Ed. 243, it was held that an officer who acted in accordance with a Proclamation of the President of the United States which was contrary to law was liable in damages for his action.

Chief Justice Marshall, in his opinion, 2. L. Ed., 246, says:

"I confess the first bias of my mind was very strong in favor of the opinion that though the instructions of the executive could not give a right, they might yet excuse from damages. I was much inclined to think that a distinction ought to be taken between acts of civil and those of military officers; and between proceedings within the body of the country and those on the high seas. That implicit obedience which military men usually pay to the orders of their superiors, which indeed is indispensably necessary to every military system, appeared to me strongly to imply the principle that those orders, if not to perform a prohibited act, ought to justify the person whose general duty it is to obey them, and who is placed by the laws of his country in a situation which in general requires that he should obey them. I was strongly inclined to think that where, in consequence of orders from the legitimate authority, a vessel is seized with pure intention, the claim of the injured party for damages would be against that government from which the orders proceeded, and would be a proper subject for negotiation. But I have been convinced that I was mistaken, and I have receded from this first opinion. I acquiesce in that of my brethren, which is, that the instructions cannot change the nature of the transaction, or legalize an act which, without those instructions, would have been a plain trespass."

The Postmaster General in assuming to prescribe intrastate rates, when acting in excess of the authority conferred upon him by law, is a usurper. His acts can have no greater weight than those of any other individual or private citizen.

C. L. 88]

In 22 Ruling Case Law, page 455, Section 114, it is said:

"The Supreme Court of the United States has repeatedly asserted that all the offices of the government, from the highest to the lowest, are creatures of law and bound to obey it. * * * * * When a power is conferred by legislative enactment, it must be executed in the way directed by law."

And in the same volume, page 459, Section 119, it is said:

"Everyone is required to take notice of the extent of authority conferred by law on a person acting in an official capacity:"

THERE IS NO GOOD REASON WHY THE STATES SHOULD LONGER
BE BURDENED WITH INTERFERENCE IN PURELY INTRA-
STATE MATTERS WHEN THE MILITARY NECESSITY THERE-
FOR NO LONGER EXISTS.

With the signing of the armistice the war as an actual matter came to an end. In his message to a joint session of Congress, on November 11, 1918, the President used the following language:

"The war thus comes to an end; for, having accepted these terms of armistice, it will be impossible for the German command to renew it."

The President, in his message to a joint session of Congress on December 2, 1918, said:

"While the war lasted [it was necessary] to set up many agencies by which to direct the industries of the country in the services it was necessary for them to render, by which to make sure of an abundant supply of the materials needed, by which to check undertakings that could for the time be dispensed with and stimulate those that were most serviceable in war, by which to gain for the purchasing departments of the government a certain control over the prices of essential articles and materials, by which to restrain trade with alien enemies, make the most of the available shipping, and systematize financial transactions, both public and private, so that there would be no unnecessary conflict or confusion, by which, in short, to put every material energy of the country in harness to draw the common load and make of us one team in the accomplishment of a great task. But the moment we knew the armistice to have been signed we took the harness off."

As a matter of common sense, everybody knows that there is no military necessity for tampering with intrastate tele-

phone rates in Oklahoma by the Federal Government. This State had its lesson in long distance government during territorial days; and now, when all pretext for interference from without in matters reserved to the governing bodies of this State has been dispersed, by the winning of the war, we see no reason for longer submitting to the usurpation of powers properly reserved to the states.

We willingly gave of the best that we had and temporarily merged the provisions inherent to a free and sovereign people in the great cause of crushing autocracy and in establishing democracy throughout the world. But now that the war, in an actual sense, is over, we must insist that the principles of liberty and democracy shall be reestablished within the states. And, as for us, we propose to use every means given us by the law to exercise full control over those matters of intrastate concern given into our hands by the Federal and State Governments and to resist to the utmost further usurpation of power at the hands of federal agencies. We propose that in so far as we are able to establish it, that the principle of liberty under the law shall govern in those matters over which we have been given jurisdiction and control by the Constitution and laws of this State. The Joint Resolution of Congress of July 16, 1918, did not give to the Postmaster General the power to regulate intrastate telephone rates, but distinctly reserved that power to the states.

SPECIFIC FINDING OF FACTS AND CONCLUSIONS OF LAW.

The Commission having reviewed the testimony herein, makes the following specific findings of fact and conclusions of law:

1. The Southwestern Bell Telephone Company, a corporation doing a transmission business by telephone for hire in the State of Oklahoma, did on the twenty-first day of January, 1919, put into effect rates, charges and practices greater and different from rates, charges and practices prescribed by the Corporation Commission and did charge a greater and different rate for service, or similar service, in effect prior to that date, without first having made application to the Corporation Commission

C. L. 88]

therefor and without having secured the approval of this Commission therefor.

2. The Southwestern Bell Telephone Company did on the twenty-first day of January, 1919, and on each succeeding day thereafter, up to and including the eleventh day of February, 1919, charge a greater and different rate for service, or similar service, in effect prior to that time, without first having made application to the Corporation Commission therefor and without having submitted to the Commission a schedule of the proposed change and without having secured the approval of the Corporation Commission therefor.

3. The Southwestern Bell Telephone Company did on the twenty-first day of January, 1919, and each and every succeeding day thereafter, up to and including the eleventh day of February, 1919, violate Order No. 101* of the Corporation Commission by charging a greater and different rate for service, or similar service, in effect prior to the said twenty-first day of January, 1919, without having first made application to the Corporation Commission therefor and without having submitted to the Corporation Commission a schedule of the proposed changes and without having secured the approval of the Corporation Commission therefor.

4. The Southwestern Bell Telephone Company did, on the twenty-first day of January, 1919, install and put into effect what is known as a "Report Charge," which charge constitutes a different rate for service, or similar service, than that in effect prior to said January 21, 1919, without having first made application to the Corporation Commission therefor and without submitting this proposed change to the Corporation Commission and without having secured the approval of the Corporation Commission therefor, and the Southwestern Bell Telephone Company did, on each succeeding day after the said twenty-first day of January, 1919, up to and including the eleventh day of February, 1919, make and collect the said "Report Charge" and did thereby on the said twenty-first day of January, 1919, and each succeeding day thereafter up to and including the eleventh day of February, 1919, thereby violate Order No. 101* of the Corporation Commission.

5. The Southwestern Bell Telephone Company did, on the twenty-first day of January, 1919, install what is known as a "Station-to-Station" service, and provide a rate, or charge, therefor, which rate, or charge, and which "Station-to-Station" service and the charge therefor, constitute a greater and different rate for service, than the rate for service in effect prior to January 21, 1919, and without first having made application to the Corporation Commission therefor, and without submitting to the Commission a schedule of the proposed change and without having secured the approval of the Corporation Commission therefor; and the Southwestern Bell Telephone Company did on each day succeeding the

* II. C. T. C. 729.

twenty-first day of January, 1919, up to and including the eleventh day of February, 1919, thereby violating Order No. 101* of the Corporation Commission.

6. The Southwestern Bell Telephone Company did, on the twenty-first day of January, 1919, provide that on "Station-to-Station" calls the charge cannot be reversed, thereby creating a different rate for service, or similar service, in effect prior to the said twenty-first day of January, 1919, without first having made application to the Commission therefor and without submitting to the Commission a schedule of the proposed change and without having secured the approval of the Commission therefor; and the said Southwestern Bell Telephone Company did on the twenty-first day of January, 1919, and on each day succeeding the twenty-first day of January, 1919, up to and including the eleventh day of February, 1919, in the manner aforesaid violate Order No. 101* of the Corporation Commission.

7. The Southwestern Bell Telephone Company did, on the twenty-first day of January, 1919, install and put in effect separate rates for what is known as "Person-to-Person" and "Station-to-Station" service, which rates, or charges, constitute different rates for service, or similar service, in effect prior to said twenty-first day of January, 1919, without first having made application to the Corporation Commission therefor, and without submitting to the Commission a schedule of the proposed change and without having secured the approval of the Commission therefor; and the said Southwestern Bell Telephone Company did thereby, on the twenty-first day of January, 1919, violate Order No. 101,* of the Corporation Commission; and the said Southwestern Bell Telephone Company in the manner aforesaid did, on each day succeeding the twenty-first day of January, 1919, and up to and including the eleventh day of February, 1919, violate said Order No. 101 * of the Corporation Commission, in the manner aforesaid.

8. The Southwestern Bell Telephone Company did, on the twenty-first day of January, 1919, put into effect, for distances less than twelve miles and for calls the rates of which are less than 15 cents, what is known as a "Station-to-Station" service, and made said service exclusive, and thereby deprived patrons of the Southwestern Bell Telephone Company and citizens of the State of Oklahoma from securing what is known as "Person-to-Person" service, which arrangement and practice makes it impossible for an individual to call from any particular station or town to an individual by name in another town or at another station.

The Commission further finds that this practice constitutes a different rate for service, or similar service, in effect prior to the said twenty-first day of January, 1919, and that said rate was installed without first having made application to the Corporation Commission therefor, and

* II. C. T. C. 729.

C. L. 88]

without submitting to the Commission a schedule of the proposed change and without having secured the approval of the Commission therefor, and in violation of Order No. 101,* of the Corporation Commission.

9. The Commission finds that on the aforesaid "Station-to-Station" service for short hauls, or hauls where the distance is less than 12 miles and where the rate is less than 15 cents, that messenger service is not furnished and that this arrangement constitutes a different rate for service, or similar service, in effect prior to the said twenty-first day of January, 1919, and that this rate was put into effect without having made application to the Corporation Commission therefor and without submitting to the Commission a schedule of the proposed change and without having secured the approval of the Commission therefor; that the installation of this rate as aforesaid constitutes a violation of Commission's Order No. 101,* and that said order has been violated in the manner aforesaid on the twenty-first day of January, 1919, and on each day thereafter up to and including the eleventh day of February, 1919.

10. The Southwestern Bell Telephone Company did, on the twenty-first day of January, 1919, without first having made application to the Corporation Commission therefor, install a different rate for toll service on lines less than 12 miles in length than the rate in effect prior to the said twenty-first day of January, 1919, and without submitting to the Commission a schedule of the proposed change and without having secured the approval of the Commission therefor; and the said Southwestern Bell Telephone Company did thereby violate Order No. 101* of the Corporation Commission and by keeping said rate in effect since the said twenty-first day of January, 1919, has thereby violated Order No. 101* of the Corporation Commission on each day succeeding the said twenty-first day of January, 1919, up to and including the eleventh day of February, 1919.

11. The Commission further finds that the rates, charges and practices installed by the Southwestern Bell Telephone Company on the twenty-first day of January, 1919, without the approval or consent of the Commission and kept in effect since said date, are revolutionary and tend to disturb business conditions for the reason that the new system is complex, cannot be understood by either patrons of the telephone company or the operators, and is contrary to business customs and methods and to the ordinary method and means of communication; for the reason that the new rates are higher and different from those in effect prior to the said January 21, 1919, and for the reason that the rates and practices installed on the said twenty-first day of January, 1919, and since kept in effect, constitute a denial of service to a large percentage of the patrons of the State of Oklahoma.

* II. C. T. C. 729.

12. The Commission further finds that the commission allowed on tolls to small exchanges of other companies by the Southwestern Bell Telephone Company is too small to pay the cost of handling the business and is illegally discriminatory against such companies.

13. The Commission further finds that although the Southwestern Bell Telephone Company pretends to make reduction in rates by offering lower charges for night service, that this arrangement is more fanciful than real, affords little, if any, benefit to the telephone user, is not practical as a business proposition, and cannot receive serious consideration in determining telephone rates generally.

14. The Commission further finds that the rates, charges and practices installed by the Southwestern Bell Telephone Company on the said twenty-first day of January, 1919, without the approval or consent of the Corporation Commission, were installed without lawful excuse and in violation of the laws of the State of Oklahoma and the orders of the Corporation Commission.

15. The Commission further finds, as a matter of law, that the Joint Resolution of Congress of the sixteenth day of July, 1918, reserved to the states the power to prescribe and enforce intrastate rates.

16. The Commission further finds, as a matter of law, that there is reserved to the states the power to control intrastate rates.

17. The Commission further finds that the rates, charges and practices heretofore installed by the said Southwestern Bell Telephone Company on the twenty-first day of January, 1919, and kept in effect since said date are unreasonable, objectionable, discriminatory, excessive, unwarranted, and illegal.

18. The Commission further finds, as a matter of fact, that all acts specified herein and all the instances found by the Commission to constitute a violation of Order No. 101* were concerned with intrastate toll or service rates, and the Commission states as a fact that it has made no finding as to intrastate rates and has not herein concerned itself with the subject of interstate rates, and that the findings and order to be made herein do not and shall not in any way affect interstate rates.

19. The Commission further finds that the defendant herein, Southwestern Bell Telephone Company, should be adjudged guilty of violation of Commission's Order No. 101,* on the said twenty-first day of January, 1919, and that fine in the sum of \$500 should be assessed therefor.†

41. The Commission further finds that on each and every day's continuance of the rates, charges and practices heretofore installed on the

* II. C. T. C. 729.

† In Findings 20 to 40, inclusive, the Commission found that defendant should be found guilty of violation of Order No. 101 on all the days from January 22 to February 11, 1919, both inclusive, and that a fine of \$500 therefor should be assessed for each day.

C. L. 88]

twenty-first day of January, 1919, and hereinbefore specified in the findings herein, from and after the eleventh day of February, 1919, shall constitute a separate violation of Commission's Order No. 101 *, and shall constitute a separate offence and that fine in the sum of \$500 per day for each succeeding day's violation of Order No. 101,* after the said eleventh day of February, 1919, should be assessed.

42. The Commission further finds that, whereas, counsel for the said Southwestern Bell Telephone Company did at the hearing and trial on the said eleventh day of February, 1919, give notice of appeal and the superseding of fines to be assessed on adjudging the said Southwestern Bell Telephone Company guilty of violation of Commission's Order No. 101,* and that, whereas, the method now provided by law, to-wit: the assessment of fines against the said Southwestern Bell Telephone Company is not effective in securing one of the primary objects sought, *viz.*, the elimination of the unreasonable, objectionable, unfair, discriminatory, excessive, unwarranted, and illegal rates, charges and practices put into effect by the said Southwestern Bell Telephone Company on the said twenty-first day of January, 1919, and kept in effect since said date; and, whereas, the method of fines is the only method provided for the Corporation Commission for the enforcement of its orders; and whereas, the laws of the State of Oklahoma provide that injunction will lie when the remedy at law is inadequate; that the Attorney General, as the legal representative of the State, should, on behalf of the State, bring an action of injunction in a court of competent jurisdiction to restrain and enjoin the enforcement of the aforesaid rates, charges and practices installed by the Southwestern Bell Telephone Company on the said twenty-first day of January, 1919, and kept in effect since said date.

ORDER.

Wherefore, premises considered, and the Commission being advised, it is, therefore, ordered, That the defendant herein, the Southwestern Bell Telephone Company, is hereby held and adjudged guilty of violation of Order No. 101 of the Corporation Commission, on the twenty-first day of January, 1919, and is fined therefor the sum of \$500 and all costs of this proceeding.†*

It is further ordered, That the defendant, the Southwestern Bell Telephone Company, shall be, and is hereby,

* II. C. T. C. 729.

† Similarly fines of \$500 per day were assessed against the defendant for each day from January 22 to February 11, 1919, both inclusive.

adjudged guilty of the violation of Commission's Order No. 101* for each and every day succeeding the said eleventh day of February, 1919, wherein the rates, charges and practices heretofore installed and put in effect by the defendant, without application to the Commission or permission of the Commission therefor, or any of such rates, charges and practices, shall be kept in effect; and fine in the sum of \$500 for each succeeding day after the said eleventh day of February, 1919, is hereby assessed therefor for each and every day so long as the aforesaid defendant, the said Southwestern Bell Telephone Company, shall continue to make effective and enforce the aforesaid rates, charges and practices.

It is further ordered, That the defendant herein, the Southwestern Bell Telephone Company, shall forthwith cease and desist from enforcing the rates, charges and practices heretofore installed on the said twenty-first day of January, 1919, and kept in effect since said date; and that said Southwestern Bell Telephone Company shall be restrained from continuing to enforce and keep in effect the aforesaid rates and practices; and that fine in the sum of \$500 per day, as heretofore assessed, shall cease from and after the date when the defendant shall desist from and cease enforcing the aforesaid rates, charges and practices; and that upon compliance forthwith with this order restraining the said defendant, the Southwestern Bell Telephone Company, from enforcing the aforesaid rates, charges and practices and the reinstatement of the rates prescribed by the Commission for toll, or long distance business, the said Southwestern Bell Telephone Company may make application to the Corporation Commission for the remission of the fines aforesaid, except for the fine of \$500 and the costs assessed, for the said twenty-first day of January, 1919; but said application for remission of fines shall be contingent upon compliance with the restraining order herein, forthwith.

* II. C. T. C. 729.

C. L. 88]

It is further ordered, That nothing in this order or the enforcement thereof shall interfere in any way with

“ the transmission of government communications, or the issue of stocks and bonds by such system or systems ” (Proviso Joint Resolution of Congress of July 16, 1918).

In witness whereof, we have hereunto set our hands and caused to be affixed the Seal of the Corporation Commission of Oklahoma on this nineteenth day of February, 1919.

SOUTH CAROLINA.

The Railroad Commission.

In re APPLICATION OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO INCREASE RATES.

Decided January 3, 1919.

Commission Declined to Go into Matter of Increase in Rates, Since Properties were being Operated by Federal Government and Postmaster General Claimed Power to Revise and Make Rates.

RULING.

With reference to petition of the Southern Bell Telephone and Telegraph Company, filed in this office September 17, 1918, for a revision of and increase in certain local exchange and toll rates in South Carolina:

In view of the fact that your properties are now in possession of, and being operated by, the Federal Government, and that in such capacity your company has no interest during government control in the financial results under such operation, the Postmaster General claiming to have the power to revise and make rates, schedules, etc., and as this state of affairs is in existence at this time, this Commission does not deem it incumbent upon them to go into this matter now, and having reached this conclusion we hereby dismiss the petition above referred to.

January 3, 1919.*

* Letter of Frank W. Shealy, acting chairman of South Carolina Railroad Commission, to J. Epps Brown, first vice president of Southern Bell Telephone and Telegraph Company, dated January 3, 1919.

SOUTH DAKOTA.

Board of Railroad Commissioners.

**ROBERT JORDON v. PEOPLES TELEPHONE AND TELEGRAPH
COMPANY.**

No. 3264.

Decided February 26, 1919.

**Re-establishment of Physical Connection between Rural Company and
Exchange Company Ordered — Contract Covering Said Con-
nection Ordered Executed — Rural Company to be
Responsible to Exchange Company for All
Switching Fees and Toll Charges In-
curred by its Subscribers.**

Complainant alleged that the defendant, which performed switching service for several rural telephone companies from its exchange at Ardmore, had, subsequent to a disagreement between it and certain subscribers of the Upper Indian Creek Telephone Company over the amount due for toll service and the refusal of said subscribers to pay the bills rendered them by the defendant, refused service to the entire Upper Indian Creek Telephone Company's line and contended that that company should become responsible for all bills accruing against its individual members. At the time of the hearing an agreement had been reached, whereby the Upper Indian Creek company had agreed to collect the charges from its members and to make remittance to the defendants, and a contract covering such agreement had been drawn up but not executed, but nevertheless, service had been restored to the complainant company.

Held: That public convenience and necessity required the maintenance of a physical connection between the lines of the Upper Indian Creek Telephone Company and the lines or switchboard of the defendant, and the existing connection should be continued until further order of the Commission in the premises;

That the companies should immediately execute a switching contract covering this connection, said contract to provide that the Upper Indian Creek company should pay not to exceed 25 cents per month or \$3.00 per year, per telephone, for such service;

That the company receiving switching and toll service should be responsible for and make collection from its individual subscribers for

all proper bills rendered, and should make necessary remittances to the company performing the service;

That the Upper Indian Creek Telephone Company should fix and establish a schedule of telephone rates and file a copy thereof with the Commission within thirty days from the date of this order, and should reorganize its affairs and acquire telephone instruments, branch lines and drop wires owned by the individual subscribers;

That if any subscriber of the Upper Indian Creek Telephone Company should refuse to pay proper bills when such bills are due, he might be denied service over the lines of which he is a member and his telephone or drop line might be disconnected, for the question of the right of a telephone company to discontinue service where a subscriber fails or refuses to pay promptly and in accordance with reasonable rules, all proper rentals and charges, is well settled;

That it was not necessary, as requested, that a duplicate set of records be kept at Ardmore, since full records were kept at the general office at Hot Springs; however, in connection with the bills to the Upper Indian Creek Telephone Company the defendant should render a detailed statement showing the date, for whom the services were performed and the amount of the charge, at a sufficient time before payment was due to allow the Upper Indian Creek company to check up the said charges.

REPORT.

This case came on for hearing upon complaint of Mr. Robert Jordon, a subscriber of the Upper Indian Creek Telephone Company, regarding service rendered and method of making collection on toll messages by the Peoples Telephone and Telegraph Company at its exchange at Ardmore. The Peoples Telephone and Telegraph Company, a corporation, has its general office at Hot Springs and owns toll lines serving considerable territory in the southern Black Hills district, also a number of exchanges, one of which is located at Ardmore. It performs switching service for several rural telephone companies. One of the companies for which service is performed is the upper Indian Creek Telephone Company, which is connected with the Ardmore exchange. The Upper Indian Creek Telephone Company is a mutual company, having 14 subscribers, 7 of whom are in South Dakota, and the remainder in Nebraska and Wyoming. Switching service is rendered the Upper Indian Creek Telephone Company on a flat rate

C. L. 88]

of 25 cents per month, per telephone, and any charges for toll service are in addition thereto.

It appears from the record that it has been customary for subscribers of the Upper Indian Creek Telephone Company to individually pay their switching and toll charges directly to the Peoples Telephone and Telegraph Company and that they had no arrangements for making collections of such charges from subscribers and no agreement whereby the company was made responsible for charges against its individual members. A disagreement arose between certain subscribers of the Upper Indian Creek Telephone Company and the Peoples Telephone and Telegraph Company over the amount due for toll service and the subscribers refused to pay the bills rendered them. The exchange company then refused service to the entire Upper Indian Creek Telephone Company's line and contended that the company switched should become responsible for all bills accruing against its individual members. At the time of the hearing an agreement had been reached whereby the Upper Indian Creek Telephone Company had agreed to collect the charges from its members and to make remittance to the Peoples Telephone and Telegraph Company, and a contract covering such agreement had been drawn but not executed, and service had been restored to the complaining company. Further complaint was made that no books nor records of charges were kept by the Peoples Telephone and Telegraph Company at the Ardmore exchange and that the only available records were at the general office in Hot Springs. It was suggested that a set of books or record of charges should be kept at the Ardmore office so that in case of disagreement in regard to bills, the accounts could be checked.

From the evidence in the record it appears and we so find that public convenience and necessity require the maintenance of a physical connection between the lines of the Upper Indian Creek Telephone Company and the lines or switchboard of the Peoples Telephone and Telegraph

Company at Ardmore. The customary method of making collection and payments in cases of this kind, which we approve, is for the company receiving switching and toll service to be responsible for and make collection from its individual subscribers for all proper bills rendered and make necessary remittances to the company performing the service. This practice should be adhered to in the instant case and if such payments are properly made, switching and toll service should not be denied. If any subscriber of the Upper Indian Creek Telephone Company refuses to pay proper bills when such bills are due, he may be denied service over the lines of the company of which he is a member and his telephone or drop line may be disconnected.

The question of the right of a telephone company to discontinue service where a subscriber fails or refuses to pay promptly and in accordance with reasonable rules, all proper rentals and charges, is well settled. In the case of the *Southwestern Telegraph and Telephone Company v. Adelia P. Danaher*, 238 U. S. 482; 35 Sup. Ct. Rep. 886, the Supreme Court of the United States held that such a rule was not unreasonable when enforced without discrimination. Charges for toll calls originating at Ardmore are made on tickets which are forwarded by the operator to the general office at Hot Springs, where they are entered in the books of the company. It does not appear necessary that a duplicate set of records be kept at the originating office. The Peoples Telephone and Telegraph Company should, however, in connection with their bill to the Upper Indian Creek Telephone Company, render a detailed statement showing the date, for whom the service was performed and the amount of the charge at a sufficient time before payment is due, to allow them to be checked by the officers of the company against which they are rendered. A copy of such bills should be furnished the operator at Ardmore, who should be allowed to accept payment and receipt therefor, if it is so desired by the Upper Indian Creek Telephone Company. The contract previously mentioned should be

C. L. 88]

executed without delay and a copy thereof filed with this Commission as required by law. The record shows that the Upper Indian Creek Telephone Company has failed to establish rental rates and file a schedule thereof with this Commission as is required in Section No. 9794 of the Revised Code of 1919. It is also shown of record that the telephone instruments, branch lines and drop wires are owned by and are the property of its individual subscribers and that such equipment is not maintained by the company. This practice is prohibited under the rules and regulations in effect in this State. Under the law as it now exists, a telephone company operating in this State can be compelled to provide the equipment and furnish service to anyone desiring such service who may reside in the territory served by the company, and the company is prohibited from making the purchase of stock in the company or the furnishing of any of the equipment, a condition precedent to the securing of telephone service. In view of the foregoing, it will readily be seen that the company, in so far as its South Dakota business is concerned, should not only, in order to comply with the law, but also to protect itself, establish a schedule of rental rates, file a copy thereof with this Commission, and reorganize and readjust its affairs by securing ownership and control of all lines and equipment now owned and controlled by its individual subscribers.

As conclusions of law from the foregoing facts, the Board now finds and decides that an order should be entered in this proceeding requiring and commanding the Peoples Telephone and Telegraph Company and the Upper Indian Creek Telephone Company to continue the connection of the line of the latter company, with the line or switchboard of the former company at Ardmore, until the further order of this Commission in the premises; that a contract should be executed without delay upon a switching basis of not to exceed 25 cents per month or \$3.00 per year, per telephone: the Upper Indian Creek Telephone Company to collect from its subscribers, and be responsible for and pay to the

exchange company, all switching fees and toll charges that may properly and legally accrue against its subscribers.

Let an order be entered accordingly.

Done in regular session at the city of Pierre, the Capital, on this twenty-sixth day of February, 1919.

ORDER.

The Board, having completed its investigation and on this date made and filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That the Peoples Telephone and Telegraph Company and the Upper Indian Creek Telephone Company, be, and hereby are, required and commanded to continue and maintain the existing connection of their respective lines until the further order of this Commission in the premises; that the said company immediately execute a switching contract covering said connection upon the basis of not to exceed 25 cents per month or \$3.00 per year, per telephone, said contract to contain a provision that the Upper Indian Creek Telephone Company will be responsible for and pay to the Peoples Telephone and Telegraph Company all switching fees and toll charges that may properly and legally accrue against its subscribers; that the Upper Indian Creek Telephone Company shall fix and establish a schedule of telephone rental rates and file a copy thereof with this Commission within thirty days from the date hereof, and that said company shall at an early date and without unnecessary delay, reorganize its affairs and acquire ownership of all facilities used by it in furnishing telephone service in this State, in accordance with the findings of fact and conclusions of this Commission this day made and filed herein.

February 26, 1919.

B. F. PETERSON v. HYDE COUNTY TELEPHONE COMPANY.

No. 3314.

Decided February 26, 1919.

**Restoration of Service Discontinued for Non-Payment due to Dispute,
Ordered.**

Complainant had requested the defendant to furnish him telephone service but the latter had refused.

For a considerable time prior to April 23, 1911, the complainant was a subscriber of the defendant, but at about that time his service was discontinued and the telephone instrument removed from his premises. Several months previous to the discontinuance of service complainant had notified the defendant that his telephone was out of order and that he was unable to secure service, and had requested that the telephone instrument be repaired and the service re-established. The complainant was advised to bring the telephone instrument into Highmore to the office of the defendant where the necessary repairs would be made, but this he refused to do and insisted that if it was found necessary to bring the instrument to the office in order to make proper repairs, this removal should be made by the company and not by the complainant. Later, he notified the company either to put the equipment in repair or remove the telephone, and on April 23, 1911, the telephone was removed and service discontinued.

Complainant moved into another residence in which there was installed a telephone and defendant advised him that if he wished to retain the telephone and secure service he would be required to pay the past due rental in full and one year's rental in advance. The amount due as claimed by the company was paid by the complainant except the rental for the period from January 1 to April 23, 1911, during which time complainant contended that the telephone was out of order and that satisfactory service was impossible. The company, however, refused to make any deduction for this period when the service was unavailable and removed the telephone from the premises.

Held: That the Commission had frequently held as reasonable a rule which provided that telephone service might be discontinued where the rental was not paid in accordance with the reasonable rules that might be in effect. However, in this case there was a disputed account and during the time covered by the account in dispute the telephone instrument of complainant had been out of order and efficient service had not been furnished; therefore, complainant was entitled to an abatement of rental covering the time that his telephone was out of order;

That the Commission disclaimed any jurisdiction to adjudicate disputed accounts between telephone companies and their subscribers where an abatement of rental was claimed for an entire or partial discontinuance

for service, as controversies of this nature must be determined by the court if an amicable settlement could not be made by the parties interested. However, as, in the present case, no telephone service was furnished during the time when the charge now claimed by the defendant accrued, and because the real controversy between the parties was as to whether it was the duty of the subscriber to remove his telephone and take it to the office of the company in Highmore or whether it was the duty of the telephone company to perform all the labor and bear all of the expense of maintaining the telephone in question in a condition so that it could render satisfactory service, the Commission was not in any sense adjudicating the account in question but was reaffirming a principle to which it had always adhered in the past, viz., that it was the duty of the telephone company and not of the subscriber to maintain the telephone plant;

That as the complainant was, at the time service was discontinued, entitled to an abatement of the rental covering the time the telephone instrument located in his residence was out of order in 1911, as complainant's present residence was located within close proximity to the telephone line of the defendant and as plaintiff was willing, ready and able to pay the rates of the company that were or might hereafter be legally in effect, complainant was entitled to receive telephone service from the defendant and the defendant should install and maintain equipment and furnish service upon the payment of the regular rates legally in effect.

REPORT.

In this case the complainant demanded telephone service from the defendant and was refused. A hearing was held at Highmore. The complainant appeared in person and the defendant appeared by its attorney, *Mr. M. Harry O'Brien*, of Highmore.

For a considerable period of time previous to April 23, 1911, the complainant was a subscriber renting a telephone instrument and receiving telephone service from the defendant. At about that time the service was discontinued and the telephone instrument was removed from complainant's premises. Several months previous to the discontinuance of service, the manager of the defendant was notified by the complainant and his wife that the telephone was out of commission and that they were unable to secure service, and a request was made that the telephone instrument be repaired and the service re-established. The complainant

C. L. 88]

was advised to bring the telephone instrument into Highmore to the office of the defendant, where the necessary repairs would be made. This the complainant refused to do, and insisted that the company maintain its own lines and equipment, and that if it were found necessary to bring the instrument to the office in order that proper repairs might be made, this removal should be made by the company and not by the complainant. Finally, just previous to April 23, 1911, the company was notified to either put the equipment in repair or remove the telephone. The telephone was removed and the service discontinued. At the time of the discontinuance of service the complainant was in arrears for telephone rental for somewhat less than a year's service. Later the complainant used a neighbor's 'phone, for which a message rate was charged. The complainant moved into another residence in which there was installed a telephone, and he was advised by the manager of the defendant that if he wished to retain the telephone and secure telephone service, he would be required to pay the past due rental in full and for one year's service in advance. The amount due as claimed by the company was paid, except the rental for the period from January 1 to April 23, 1911. The complainant, as before stated, contended that the telephone equipment was out of commission and that satisfactory service during that period was impossible. The company on the other hand refused to make any deduction for the time that the service was unavailable, and removed the 'phone from the premises.

The complainant now contends that he desires telephone service and has great need therefor, and that it is unreasonable for the company to deprive him of service on account of his refusal to pay for service that he never received; and that it is likewise unreasonable for the company to require its subscribers to bring telephone instruments into Highmore to the office for repairs, or otherwise to assist in the maintenance of the lines or equipment. The company's position in this regard is that many of its service stations are located at long distances from its office and,

therefore, if it is required to fully supervise and maintain its lines and equipment, particularly the telephone instruments, a financial burden will be imposed that it is unable to bear, and that it should not be required to furnish service to an intending subscriber who is in arrears for past services, or one who has been disconnected from service on account of failure or refusal to pay for service received.

This Commission has frequently held as reasonable a rule which provides that telephone service may be discontinued where the rental is not paid in accordance with the reasonable rules that may be in effect.

The Supreme Court of the United States in the case of the *Southwestern Telegraph and Telephone Company v. Adelia P. Danaher*, 238 U. S. 482; 35 Sup. Ct. Rep. 886; L. R. A. 1916-A 1208, held that such a rule was not unreasonable when enforced without discrimination. It was likewise held in that case that the penalties imposed for the company's failure to re-establish the service were arbitrary and oppressive and the decision of the lower court was reversed.

In this case, moreover, the Supreme Court of the United States, in effect, though not in express terms, held that a telephone company might lawfully enforce a rule to refuse telephone service to a subscriber in arrears for service furnished in the past. It appears, however, that the controlling consideration in the mind of the Supreme Court in that case, and the ground upon which it reversed the decision of the lower court, was the undoubted invalidity of the statute of the State of Arkansas which purported to impose an excessive penalty upon a telephone company for refusal to furnish telephone service upon demand. The statute in question was evidently framed without providing for any exceptional cases, or for any condition under which a telephone company might be justified in refusing service to the subscriber demanding the same.

In the case above cited, the company allowed a discount where the rental was paid in advance. The subscriber having failed to pay the rental in advance, demanded per-

C. L. 88]

mission to make settlement at the net rate. The company refused to settle on that basis, but demanded payment of its maximum rate. The account was not paid and the service was therefore discontinued in accordance with the effective rules of the company. In that case there was no question whatever with reference to the service having been furnished or as to the efficiency of such service. Neither was there any question as to who was responsible for the proper maintenance of the lines or equipment, it being the policy of the company to maintain its property.

In the case before us we have an entirely different situation. Here we have a disputed account. The evidence shows that during the time covered by the account in dispute the telephone instrument or equipment was out of commission and that efficient service was not furnished. It is a common practice with telephone companies in this State to make abatements from rentals for any unusual or unreasonable length of time that the company has been unable to furnish efficient telephone service. We are of the opinion that such a practice is reasonable, and that the complainant was entitled to any abatement of rental covering the time that his telephone was out of commission. We are likewise of the opinion that the defendant company adopted an altogether too arbitrary method in handling the complaint, and that it would have been a much better policy to have effected a reasonable and satisfactory settlement by allowing a proper deduction covering the period that service was not furnished. Had this been done the company would have retained a subscriber for the intervening seven-year period, and both parties to the controversy would have been benefited.

In thus disposing of this matter this Commission disclaims any jurisdiction to adjudicate disputed accounts between telephone companies and their subscribers where an abatement of rentals is claimed for an entire or partial failure of service. Controversies of this nature must be determined by the courts, if an amicable settlement cannot be made by the parties interested. But in the present case.

it clearly appears that no telephone service whatever was furnished during the time for which the charges now claimed by the telephone company accrued; and because the real controversy between the parties in this instance is as to whether it was the duty of the subscriber to remove his telephone and take it to the office of the company in Highmore, or whether it was the duty of the telephone company to perform all of the labor and bear all of the expense of maintaining the telephone in question in a condition so that it could render satisfactory service, we believe that we are not in any sense adjudicating the account in question, but that we are reaffirming a principle to which we have always adhered in the past, that it is the duty of the telephone company, and not of the subscriber, to maintain the telephone plant. In this connection it is deemed sufficient to say that this Commission has frequently held that a telephone company should own and maintain all of the equipment used in furnishing the service. It is no part of the duty of a subscriber to transport or remove or repair or maintain any part of the equipment. It is, however, his duty to observe due and proper care in the use of the instrument and equipment committed to his custody.

We are clearly of the opinion that the responsibility for the efficiency of the service should rest with the company. It is quite evident, therefore, that the proper supervision or maintenance of the plant is a duty resting in the telephone company.

From a careful examination of all of the testimony in this case, we are of the opinion and find that the complainant was at the time the service was discontinued entitled to an abatement of the rental covering the time the telephone instrument located in his residence during the early period of 1911 was out of commission; that the complainant's present residence is located within close proximity to the telephone line of the defendant; that he is willing, ready and able to pay the rates of the company that are now or may hereafter be legally in effect; and that the complainant is entitled to receive telephone service from the defendant.

C. L. 88]

As conclusions from the foregoing findings, we are of the opinion that an order should be made and entered in this proceeding requiring the defendant to furnish telephone service to the complainant within thirty days after the service of this order upon it. The company should install and maintain the equipment, and the complainant should receive service upon the payment of the regular rental rates legally in effect for similar service.

Let an order be entered accordingly.

Done in regular session in the city of Pierre, the Capital, on this twenty-sixth day of February, 1919.

ORDER.

The Board having completed its investigation, and on this date made and filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That within thirty days after the service of this order upon it, the defendant install and maintain in complainant's residence a telephone instrument and furnish him telephone service; that complainant and defendant report to this Board immediately when said telephone instrument has been installed and put in service.

February 26, 1919.

A. E. YOUNG v. HYDE COUNTY TELEPHONE COMPANY.

No. 3388.

Decided February 26, 1919.

Extension of Service Ordered.

Complainant alleged that he had demanded telephone service from the defendant and was refused.

Complainant, together with several neighbors, desired telephone service, and when they took the matter up with the defendant the latter offered to construct a line and install service provided the parties desiring the service would each pay in advance the sum of \$25.00, to apply on rentals,

and haul poles and equipment. All of the interested parties except the complainant made the advance payment and hauled and delivered along the line their share of equipment, and the line was built to within approximately three-quarters of a mile of complainant's residence. However, complainant refused to make the advance payment or to haul or deliver the material. One of the present subscribers on the line secured service some time subsequent to the completion of the line and the requirement of the payment of \$25.00 rental in advance was abated in his case.

Held: That ordinarily a telephone company was willing and anxious to construct lines, install equipment and furnish service to subscribers upon the payment of its regularly established rates, with no more than four to six months' advance payment; that a requirement that heavy advance payment be made tended to retard the development of the business thereby, not only injuring the company but working an injustice to the company's subscribers, was considered poor practice, and was contrary to public policy. However, if the parties desiring telephone service were agreeable to making the advance payment in question, and did so as an accommodation to the company or otherwise, no serious objection could be made;

That to refuse arbitrarily to install service unless the requirement of advance payment was complied with as to one intending subscriber, while the service was installed and furnished to others without the payment of the greater advance charges, was both unreasonable and discriminatory;

That complainant was entitled to receive telephone service from the defendant upon the payment of one year's telephone rental in advance, the payment to be made previous to the construction of the line and the rental so received to cover the yearly period commencing on the date that service was actually installed.

REPORT.

In this case the complainant demanded telephone service from the defendant company and was refused. A hearing was held at Highmore. The complainant appeared in person and the defendant appeared by its attorney, *Mr. M. Harry O'Brien*.

From the record it appears that the complainant, together with several of his neighbors, desired telephone service. The question of constructing the line, installing the necessary facilities, and furnishing telephone service, was taken up by the interested parties, including the complainant, with the management of the Hyde County Telephone Company, and it appears that the said company, after giving

C. L. 88]

the matter careful consideration, offered to construct the line and install the service provided the parties desiring the service would each pay in advance the sum of \$25.00 to apply on rental, and haul the poles and equipment. This arrangement appeared to be satisfactory, and all of the interested parties, except the complainant, made the advance payment and hauled out and delivered along the line their share of equipment. The line was constructed and completed to within approximately three-fourths of a mile of Mr. Young's residence. About the time of the completion of the line to its present limits, the matter was again taken up with the complainant and he refused to make the advance payment or to haul and deliver the material.

The line as constructed is about 7 miles in length and 7 subscribers are served thereon. One of the said subscribers, a Mr. Drummon, secured service sometime subsequent to the completion of the line, and the requirement of the payment of the \$25.00 rental in advance was abated in his case.

The complainant is not the owner of the farm upon which he resides but rents the place from his father. In his testimony he states that he does not know how long he will continue to occupy the place but possibly not more than another year. He assumes, however, that his successor would likewise desire telephone service.

In some cases this Commission has authorized the company to demand the payment of one year's rental in advance, and in other cases where the company was required to install the equipment and furnish service the intending subscriber was compelled to pay one year's rental in advance and enter into satisfactory contract that service would be retained for a reasonable period of time after the expiration of the yearly period.

Ordinarily a telephone company is willing and anxious to construct the lines, install the equipment and furnish service to subscribers, upon the payment of its regularly established rates with no more than from four to six

months' advance payment. A requirement that heavy advance payment be made tends to retard the development of the business, thereby not only injuring the company but indirectly working an injustice to the company's subscribers, and is considered poor practice. In other words, this or any other requirement that retards development or works a hardship on the company or its subscribers, or both, is contrary to good public policy and must be disapproved. On the other hand, if the parties desiring telephone service are agreeable to making the advance payment in question and do so as an accommodation to the company or otherwise, no serious objection can be made. However, to arbitrarily refuse to install service unless the requirement is complied with as to one intending subscriber, while the service is installed and furnished to others without the payment of the greater advance charges, appears to be both unreasonable and discriminatory.

From a careful examination of all of the testimony of this case, we are of the opinion and find that the complainant is entitled to receive telephone service from the defendant upon the payment of one year's telephone rental in advance, the payment to be made previous to the construction of the line, the rental so received to cover the yearly period commencing on the day such service is actually installed, and as conclusions from these findings let an order be made and entered in this proceeding requiring the defendant to furnish telephone service to the complainant within thirty days after the service of this order upon it and upon payment by the complainant of the regular rental rates charged by the defendant to its other patrons for similar service.

Let an order be entered accordingly.

Done in regular session in the city of Pierre, the Capital, on this twenty-sixth day of February, 1919.

ORDER.

The Board having completed its investigation and made and filed its report containing its findings and conclusions,

H. C. STROBECKER v. SHEPS CANYON T. Co. *et al.* 1481
C. L. 88]

and being fully advised in the premises, and sufficient cause for this order appearing;

It is, therefore, ordered, considered and adjudged, That within thirty days after the service of this order upon it, and upon the payment by the complainant of one year's regular rental rate charged by the company to its other rural party line patrons, [defendant shall] install in complainant's residence a telephone instrument and furnish him telephone service; that complainant and defendant report to this office immediately when said telephone instrument has been installed and service established.

February 26, 1919.

H. C. STROHECKER v. SHEPS CANYON TELEPHONE COMPANY
AND PEOPLES TELEPHONE AND TELEGRAPH COMPANY.

No. 3179.

Decided February 28, 1919.

**Extension of Hours of Service Not Ordered—Complaint Against
Manner of Routing Messages Dismissed—Practice of Col-
lecting Same Rate from Subscribers Receiving One-
Exchange and Two-Exchange Service
Held Discriminatory.**

Complaint was made against the hours of service furnished at the exchange of the Peoples company at Oelrichs and against the practice of routing messages originating at stations on the line of the Sheps Canyon company known as the "Short Line," located south and east of Oelrichs, to Hot Springs over the toll equipment for which a message charge was imposed.

Held: That although the hours during which continuous or day service was furnished—7:00 A. M. to 7:00 P. M.—were very limited, nevertheless, in view of the small number of subscribers and the small gross revenue obtainable, it was questionable if the company should be required materially to lengthen the hours of day service. However, the matter should receive the very careful consideration of the officers of the company and longer hours of service should be permitted at the earliest opportunity, and in the meantime the emergency night bell should be kept in good working order and the operator should give careful and prompt attention to emergency calls;

That the practice of the Sheps Canyon company in charging \$1.50 per month to all its subscribers, whether such subscribers were receiving one- or two-exchange service, was discriminatory and the company should discontinue the practice and charge those subscribers connected with one exchange only, \$16.50 per year, and those connected directly with two exchanges, \$18.00 per year;

That the practice of the Peoples Telephone and Telegraph Company of charging the maximum switching rate at each exchange where a line had direct connection with two exchanges should be discontinued and where a rural line had connection with two exchanges, the exchange company or companies should not be permitted to charge at either exchange a rate in excess of \$2.25 per year, per telephone;

That the contention of the complainant that the subscribers on the "Short Line" should be permitted to interchange messages with the subscribers of the exchange in Hot Springs over the rural party line of the Sheps Canyon company and not over the toll equipment, as at present, was not well taken as the rural party line in question was already heavily loaded and to permit messages from other lines to be routed over this heavily loaded line would not be in the interest of the service generally but would be contrary to good telephone practice and there was not any greater necessity for the extension of switching service between the "Short Line" and Hot Springs than existed at any other exchange under approximately similar conditions; therefore, messages from the "Short Line" to Hot Springs should be routed over the toll equipment.

REPORT.

In this matter complaint was made by H. C. Strohecker of Oelrichs, South Dakota, against the hours of service furnished at the exchange of the Peoples Telephone and Telegraph Company at Oelrichs, and against the practice of routing messages originating at stations on the line of the Sheps Canyon Telephone Company located south and east of Oelrichs over the toll equipment to Hot Springs, for which a message charge is imposed.

The case was heard at Oelrichs, the complainant appearing in person and the Sheps Canyon Telephone Company appearing by *Mr. Tom Long* and *Mr. W. F. Wyatt*, its president and acting secretary respectively. The Peoples Telephone and Telegraph Company appeared by *Mr. C. L. Jensen*, its president.

The record shows that the Sheps Canyon Telephone Company owns a line located south and east of Oelrichs called the "Short Line," upon which it furnishes service to 7 subscribers including the complainant; that it also owns and operates a rural party line extending from Oelrichs to Hot Springs, and having direct physical connection with the exchanges in those towns, upon which it serves 23 subscribers; that the Sheps Canyon Telephone Company pays the Peoples Telephone and Telegraph Company \$3.00 per year, per telephone, for switching the "Short Line" at Oelrichs, and \$6.00 per year, per telephone, for the two-exchange switching. The hours of service furnished at the exchange in Oelrichs are from 7:00 o'clock A. M. to 7:00 o'clock P. M., and night service between the hours of 7:00 o'clock P. M. and 7:00 o'clock A. M. is supplied by means of an emergency or night bell, the operator sleeping in an adjoining room to that in which the switchboard is located. Some complaint was made that the emergency night bell was unsatisfactory and that emergency [service] was secured under difficulties. The hours during which continuous or day service is furnished are very limited. The exchange should be operated at least one-half hour earlier in the morning, and one and one-half or two hours later in the evening if the subscribers are to receive the service they necessarily require. However, the average number of subscribers of the exchange does not exceed 25, and only 73 farm line subscribers are receiving switching service, and the exchange revenue derived from handling the toll business does not exceed \$25.00 per year. With the small gross revenue obtainable it is questionable if the company should be required at this time to materially lengthen the hours of continuous service. However, the matter should receive the very careful consideration of the officers of the company and longer hours of service be permitted at the earliest possible opportunity. In the meantime, the emergency night bell should be kept in good working order and the operator should give careful and prompt attention to emergency calls.

The rate charged for service by the Sheps Canyon Telephone Company is \$1.50 per month or \$18.00 per year, per telephone. The company has been charging and collecting this rate from all of its subscribers, whether such subscribers were receiving one- or two-exchange service. This constitutes discrimination. The company should discontinue this practice, and in fairness to those subscribers that are receiving service on the "Short Line" with switching privileges at Oelrichs only, should grant them a lower rate than those subscribers on the line between Oelrichs and Hot Springs that enjoy two-exchange service; and the company should be permitted to file a schedule of rates in which one-exchange service will be furnished at a rate of \$16.50 per year, per telephone, and two-exchange service at a rate of \$18.00 per year, per telephone.

The practice indulged in by the Peoples Telephone and Telegraph Company of charging the maximum switching rate at each exchange where a line has direct connection with two exchanges should be discontinued. The rules in effect in this State covering two-exchange switching service provide that, where a rural party line has direct connection with two exchanges, the exchange company or companies will not be permitted to charge at either exchange a rate in excess of $18\frac{3}{4}$ cents per month or \$2.25 per year, per telephone.

The contention of the complainant that the subscribers on the "Short Line" should be permitted to interchange messages with subscribers of the exchange in Hot Springs, to be transmitted over the rural party line of the Sheps Canyon Telephone Company and not over the toll line as is the present practice, is, we feel, not well taken. The testimony shows that the rural party line in question is already heavily loaded, and to permit messages from other lines to be routed over this heavily loaded line would not be in the interest of the service generally and would, on the other hand, be contrary to good telephone practice. It is true that if the subscribers on rural lines beyond Oelrichs were permitted to communicate with persons in Hot

C. L. 88]

Springs over his rural line without additional cost, the service would be used quite extensively. On the other hand it is 28 miles from Oelrichs to Hot Springs, and while there would naturally be some business transacter with Hot Springs, it does not appear that there is any greater necessity for the extension of switching service than exists at other exchanges under approximately similar conditions. We are quite clearly of the opinion that messages originating on the "Short Line" on which the complainant is a subscriber, and terminating at the exchange in Hot Springs, should be routed over the toll equipment and at the rates legally in effect.

As conclusions of law from the foregoing facts, the Board now hereby finds and decides that an order should be entered herein, requiring and commanding the Peoples Telephone and Telegraph Company to desist from charging and collecting a higher rate than \$4.50 per year, per telephone, for the switching of the rural party line of the Sheps Canyon Telephone Company, for two-exchange switching; that the Sheps Canyon Telephone Company file a schedule of rates with this Board not later than the fifteenth day of March, 1919, to become effective as of March 1, 1919, as follows:

Rural party line, one-exchange service only, per year.....	\$16 50
Rural party line, two-exchange service, per year.....	18 00

Done in regular session at the city of Pierre, the Capital, on this twenty-eighth day of February, 1919.

ORDER.

In this case the Board having completed its investigation and on this date made and filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That the Peoples Telephone and Telegraph Company desist from charging and collecting a higher rate than \$4.50 per year, per telephone, for the switching of the rural party line of the

Sheps Canyon Telephone Company, for two-exchange switching service, and that the Sheps Canyon Telephone Company file a schedule of rates with this Board not later than the fifteenth day of March, 1919, to become effective as of March 1, 1919, as follows:

Rural party line, one-exchange service only, per year.....	\$16 50
Rural party line, two-exchange service, per year.....	18 00

February 28, 1919.

In re APPLICATION OF DAKOTA CENTRAL TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES AT FLORENCE.

No. 3319.

Decided February 28, 1919.

Increase in Net Rural Rates Authorized — Increase in Gross Exchange Rates with Discount for Prompt Payment Equal to Increase, Authorized.

REPORT.

The Dakota Central Telephone Company applies on this docket for an increase of 25 cents per month on its rural lines tributary to its exchange at Florence, and that it be permitted to put into effect at that exchange the discount rule authorizing it to quote a gross rate, from which a discount of 25 cents per month shall be made if the exchange rates are paid monthly in advance on or before the fifteenth day of the current month, and if the rural line rates are paid quarterly in advance on or before the fifteenth day of the first month of the current quarter. The case was heard at Florence. The telephone company was represented by its president, *Mr. J. L. W. Zietlow*. There were no appearances on behalf of the subscribers. *Mr. Oliver E. Sweet*, Assistant Attorney General, appeared on behalf of the Board.

The present rates at Florence for city and rural line service are \$1.00 per month if paid in advance, and as to

C. L. 88]

rural lines \$1.50 per month if not paid in advance. The contention of the company is that there is a loss of \$140.34 per annum on the operation of rural lines out of Florence and that they should have a net rate of \$1.25 per month in order to meet this deficit. We have checked the figures given in the transcript of the testimony and in the exhibits introduced on behalf of the company with the figures given in their annual report to this Board, and it is quite clear that the company must have additional revenue at Florence in connection with the operation of these rural lines. While the company's present rate if not paid in advance is \$1.50 per month or \$18.00 per annum, the company in this case is asking for a net rate of \$1.25 per month or \$15.00 per annum, with a privilege to quote a rate of \$1.50 per month or \$18.00 per annum, from which a discount of 25 cents will be made for prompt payment. We have carefully considered all of the evidence in the case. For the services which these patrons will receive from the company a rate of \$1.25 per month or \$15.00 per annum, is, in our opinion, just, fair and reasonable, and an order will be entered granting the application and permitting the company to apply the discount rule.

Done in regular session at the city of Pierre, the Capital, on this twenty-eighth day of February, 1919.

ORDER.

In this cause the Board having completed its investigation and on this date filed its report containing its findings and conclusions, and being fully advised in the premises; and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That the Dakota Central Telephone Company be, and it hereby is, authorized to publish and put into effect as of March 1, 1919, at Florence, on its exchange and rural lines, a rate of \$1.25 per month for town or city service, and \$1.50 per month for rural party telephone service, subject to a discount of 25 cents per month if the town or city rentals are paid

monthly in advance on or before the fifteenth day of the current month and the rural line rentals are paid quarterly in advance on or before the fifteenth day of the first month of the current quarter.

February 28, 1919.*

In re APPLICATION OF THE TRI-COUNTY MUTUAL TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES AT EMERY.

No. 3354.

Decided February 28, 1919.

**Increase in Business, Residence and Rural Rates, Authorized — Discount
for Prompt Payment Approved.**

REPORT.

In this case we have an application from the Tri-County Mutual Telephone Company of Emery, South Dakota, for an increase in its telephone rental rates. Its rates in effect at the present time are as follows:

	<i>Per Month</i>	<i>Per Annum</i>
Business 'phones.....	\$1 33¼	\$16 00
Residence 'phones	1 00	12 00
Rural 'phones.....	1 00	12 00

* By similar orders the Dakota Central Telephone Company was authorized to increase its net rural rates 25 cents per month and to quote gross rates 25 cents per month in excess of net rates for all classes of service — the difference between gross and net rates to be given as a discount for prompt payment — at Carthage (No. 3316, March 26, 1919), South Shore (No. 3317, March 3, 1919), Doland (No. 3320, February 28, 1919), Clark (No. 3320, March 3, 1919), Bradley (No. 3322, March 3, 1919), and Bristol (No. 3323, February 28, 1919).

By a similar order the Dakota Central Telephone Company was authorized on March 3, 1919, to increase its net rural rates at Henry from \$1.00 to \$1.25 per month and to quote a gross rural rate of \$1.50 per month, the difference between gross and net rates to be given as a discount for prompt payment (No. 3318).

C. L. 88]

The company bases its application upon the increased cost of labor and materials. On page 8 of the record the manager of the company stated the situation as follows:

"Well, all the material that the telephone has to buy of late has advanced, some as high as 200 per cent., than what we used to pay, some 100 per cent., some 50 per cent., and furthermore we have to pay more for labor, and take everything into consideration, why, the shareholders were not getting interest enough on their investment, and of course, in the last annual meeting that we have had the matter was very carefully considered and everybody was in favor of it. It was unanimously passed upon that it was absolutely necessary to have a raise, and furthermore the raises on those things haven't stopped yet, they are still keeping on."

A careful examination of the record in this case, as well as of the annual reports of this company, discloses that after paying the operating expenses, and without allowing any amount for depreciation or return on the investment, there was a balance of cash on hand of \$723.88. The company's books show a cost of property account amounting to \$11,620, and if they were to receive a return on this stock at the rate of 7 per cent. per annum it would require \$813.40 for that purpose, and there would still be no allowance made of a depreciation reserve for the replacement of the plant. If the company were to set aside a sum equivalent to 7 per cent. of its capitalization as a surplus or depreciation reserve, this would likewise require \$813.40, or a total of \$1,626.80. The balance on hand of \$723.88 would fall \$902.92 short of supplying this fund. If we reduced the rate of return and the rate of depreciation to 5 per cent. there would still be a deficit of \$446.12.

The company makes application to put into effect telephone rental rates as follows:

	<i>Per Month</i>	<i>Per Annum</i>
Business 'phones.....	\$1 75	\$21 00
Residence 'phones.....	1 50	18 00
Rural 'phones.....	1 50	18 00

all subject to a discount of 25 cents per month if paid as to the city telephones monthly in advance on or before the fifteenth day of the current month, and as to the rural party line telephone quarterly in advance at any time during the first month of the current quarter. If the patrons of

the company pay their rentals in advance the net rates will be for business 'phones \$1.50 per month; for residence 'phones \$1.25 per month, and for rural party line 'phones \$1.25 per month.

After a careful consideration of all of the evidence in this case, we are of the opinion, and find, that the application of the company must be granted, and an order will be entered accordingly.

Done in regular session at the city of Pierre, the Capital, on this twenty-eighth day of February, 1919.

ORDER.

In this case the Board having completed its investigation, and on this date made and filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That the application of the Tri-County Mutual Telephone Company be, and the same hereby is, granted, to become effective March 1, 1919, and that it is hereby granted authority to publish and put into effect on that date telephone rental rates at its exchange and on its rural lines at Emery as follows:

	<i>Per Month</i>	<i>Per Annum</i>
Business 'phones	\$1 75	\$21 00
Residence 'phones	1 50	18 00
Rural party 'phones	1 50	18 00

and to likewise publish a rule requiring the payment of said telephone rentals in advance as to the business and residence 'phones or on or before the fifteenth day of the current month, and as to the rural lines quarterly at any time on or before the fifteenth day of the first month of the current quarter, and that when so paid there shall be a discount from the foregoing rates of 25 cents per month.

February 28, 1919.

H. C. HANSON *et al.* v. TRI-COUNTY FARMERS T. Co. 1491
C. L. 88]

H. C. HANSON *et al.* v. TRI-COUNTY FARMERS TELEPHONE
COMPANY.

F-595.

Decided March 3, 1919.

**Company Should Furnish Highest Type of Service Obtainable — Lines
Should be Kept in Proper Operating Condition and Batteries
Installed at Regular Periods.**

REPORT.

In this case we have a complaint against the service furnished by the Tri-County Farmers Telephone Company. The case was heard at Irene. The telephone company appeared by *Messrs. Bogue and Bogue*, its attorneys; the complainants appeared by *Mr. A. L. Wyman*, their attorney, and this Board was represented by its counsel, *Mr. O. E. Sweet*.

It will serve no useful purpose to enter upon a lengthy discussion as to the failures of service on these lines. One of the frequent causes of failure of service has to do with the omission to restore batteries, and insofar as the record makes any disclosure at all upon the subject it appears that the company does not keep any record of battery installations. In order that there may not again be difficulty in this behalf it is our opinion that a card index system should be installed for the use of the operators and lineman and the officers of the company in keeping a record of battery installations, so that new batteries will be put in before the old batteries are completely exhausted. Quite frequently patrons report to the operators at Volin that their telephone will not work or the line is out of condition to furnish service, and there is a great possibility under the present practice that the lineman will not be advised as to complaints received from subscribers against the conditions of their 'phones and of the lines over which they receive service. It appears from the testimony that some of these complaints are transmitted direct by the operator at Volin

to the operator at Irene, and as to others are sent by mail. We believe this practice should be revised, and that a permanent record should be kept at Volin, as well as at Irene, of all complaints received from subscribers, and that at a fixed period during the day, perhaps at or immediately after the noon hour would be best, for the lineman to call up the operator at Volin and to confer with the operator at Irene as to all complaints received. In other words, it should be the duty of the lineman to inquire daily of operators at Irene and Volin as to all complaints against the service, and all patrons should be advised to present their complaints promptly even though the failure of service may be slight. There is nothing so exasperating as to require the use of a telephone and find that either the instrument is out of commission or the line is down or for some other reason a message cannot be put through.

After a careful consideration of all of the evidence in this case we are of the opinion, and find, that there should be a closer supervision of the condition of these lines by the lineman and manager of the company. It should be the duty of the lineman to call the operator at Volin at least once each day for the purpose of inquiring into complaints, and to have a conference on the same subject with the operators at Irene. When complaints are made they should receive immediate attention.

No order will be made in this case at this time. The company should make an effort to furnish to these patrons the very highest type of service obtainable, and this can only be done by keeping its lines in proper operating condition and installing batteries at regular periods before the batteries in use are exhausted.

Done in regular session at the city of Pierre, the Capital, on this third day of March, 1919.

C. L. 88]

In re APPLICATION OF DAKOTA CENTRAL TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

No. 3450.

*Decided March 3, 1919.***Increase in Business Rates Authorized — Establishment of Individual
Line Residence Rate Authorized — Discount for Prompt
Payment Approved.****REPORT.**

In this case the telephone company makes application for an increase in its telephone rental rates at Mellette and for permission to put into effect at that exchange the discount rule. The case was heard at Aberdeen. The telephone company appeared by *Mr. T. H. Null*, its attorney. The city of Mellette appeared by *Mr. Don Cheatham*, its attorney. *Mr. R. D. Twaddle* appeared for the Farmers Elevator Company.

The rates in effect at Mellette are as follows:

Business, main line, per month.....	\$1 75
Residence, party line, per month.....	1 25

subject to a discount of 25 cents if paid on or before the fifteenth day of the current month. Desk sets 25 cents per month additional. The company applies for permission to put into effect the following schedule:

Business, main line, per month.....	\$2 25
Residence, main line, per month.....	1 75
Residence, party line, per month.....	1 25

subject to a discount of 25 cents per month if paid in advance on or before the fifteenth day of the current month. Desk sets 25 cents per month extra.

The company bases its application for the increase in rates on the ground that the company, under the present rates, is operating at a loss, and it substantiates these figures by showing the value of the plant and a statement of the revenues and expenses, showing that after paying

all operating expenses the company has \$9.59 left out of which to pay a return.

At the time of the hearing, Mr. Cheatham, on behalf of the city subscribers, and Mr. Twaddle, in his own behalf or in behalf of the elevator company with which he is connected, appeared and made very serious objections as to the service furnished at Mellette, which the company accounts for in part on account of the strenuous conditions under which telephone lines were operated during the period of the war, and for a part of which failure of service no adequate reason was assigned at the hearing. It does appear, however, that the complaints as to the failure of service were not made to the officers of the company. We are quite clearly of the opinion that the people of Mellette are entitled to the very highest class of service obtainable, and we are also quite clearly of the opinion that whenever there is a failure of service the subscribers should make complaint to the officers of the company. Very many times operators give little attention to complaints against the service of the company, which in many cases they interpret, or rather infer, are complaints involving a charge of their own inefficiency in operation. Mellette is very close to Aberdeen, where the general offices of the company are located, [and] whenever the service reaches a standard such as is disclosed in the testimony of Mr. Cheatham and Mr. Twaddle we believe the subscribers should immediately bring the matter to the notice of the general officers of the telephone company. We have, however, the assurances of the operating officials that service conditions will and perhaps by this time have been improved.

After a careful consideration of all of the evidence in this case we are of the opinion, and find, that the rates proposed to be installed at Mellette are fair, just and reasonable rates to apply in a city the size of Mellette, and that there is on the facts before us a need for additional revenue; and an order will be entered accordingly.

Done in regular session at the city of Pierre, the Capital, on this third day of March, 1919.

ORDER.

In this case the Board having completed its investigation and on this date filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That the Dakota Central Telephone Company be, and it hereby is, authorized to publish and put into effect at the city of Mellette a schedule of rates as follows:

Business, main line, per month.....	\$2 25
Residence, main line, per month.....	1 75
Residence, party line, per month.....	1 25
Desk sets 25 cents per month extra, subject to a discount on the business and residence rate of 25 cents per month if paid in advance on or before the fifteenth day of the current month.	

March 3, 1919.

In re APPLICATION OF DAKOTA CENTRAL TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES AT ABERDEEN.

No. 3449.

Decided March 4, 1919.

Increase in Residence Rates Authorized.

REPORT.

We have on this record an application by the Dakota Central Telephone Company to line up its residence rates with the rates prevailing for similar service at the cities of Huron, Madison, Mitchell, Sioux Falls and Watertown. The residence rates in effect at Aberdeen at the present time are for main line service \$1.50 net, and for party line service \$1.25 net, and the application is to put into effect for main line residence service a rate of \$2.25, and for party line residence service at a rate of \$1.75, subject to a discount of 25 cents if paid in advance on or before the fifteenth day of the current month.

The case was heard at Aberdeen. The telephone company appeared by *Mr. T. H. Null*, its attorney, and *Mr. W. G. Bickelhaupt*, its secretary. The city of Aberdeen appeared by *Mr. George W. Crane*, its attorney.

The Dakota Central Telephone Company has within the last two years completely remodeled, and it might be said reinstalled, its entire telephone system in Aberdeen. It has constructed a new building and installed new telephone instruments and practically an entirely new exchange throughout. Before the change the company had installed at Aberdeen a plant worth \$217,476.80, and of this amount plant equipment of a value of \$157,660.81 has been dismantled and removed, leaving only of the old plant in the new structure a value equivalent to \$59,815.91. The new plant, according to the figures of the telephone company, cost completed \$270,571.66, including the old plant value retained. We have examined the new telephone exchange, and it might be said the entire plant and equipment, and find it to be the most complete and up to date yet installed in this State, and the people of Aberdeen are to be congratulated upon having at their service this present telephone system. The telephone company bases its application for the increase in its residence rates on the necessity for additional revenue because of the increased cost of operation arising from increases in the costs of material and supplies and increases in wages, and they likewise base their application upon the broader ground that the rates sought to be made effective are fair, just and reasonable, and have already been the subject of an investigation and approved for exchanges in other cities in this State. The company refers particularly to the rates in effect at Huron, Madison, Mitchell, Sioux Falls and Watertown. The records of this Board show that when the present system was installed at Huron the rates to be applied in connection therewith were the subject of an investigation both on the part of the city and of the Board. Hearings were held at Huron and the case tried out very thoroughly with

C. L. 88]

the assistance of the city attorney, and after such investigation the rates established at Huron were the same as those sought to be made effective here. The Mitchell case was likewise the subject of an investigation, and the same basis of rates as are now requested to be put into effect at Aberdeen were applied at Mitchell during the period of litigation between the city and the company, and since the decision of the Mitchell case by the Supreme Court of the United States the telephone company and the city of Mitchell have gotten together and the same basis of rates is still in effect at that point. At Madison the company had a manual system which was thought by the citizens of Madison to be insufficient and inadequate, and we have before us copies of agreements made between the telephone company and the merchants and the city council and the commercial club and the retail merchants association of the city of Madison, which provided that upon the installation of a modern automatic telephone exchange the basis of rates sought to be made effective in Aberdeen in this proceeding should apply at Madison; and those rates have been in effect since March 24, 1916, at that point. The Northwestern Telephone Exchange Company operates the plant at Sioux Falls and its rates are on the same basis as those in effect at the other cities mentioned. The rates at Watertown, where the applicant here operates the exchange, were put into effect as the result of an arbitration and award. The telephone company installed its automatic system in Watertown and applied for an increase in rates. Under a franchise granted to the company by the city, provision was made for arbitration of rate disputes. Under this provision the telephone company selected one arbitrator, the city another, and the two so chosen selected a third, and the award made by this board of arbitration resulted in the putting into effect the basis of rates sought to be made effective at Aberdeen.

It is the contention of the company, and of which we likewise have personal knowledge, that there is a demand in every department of their business for an increase in wages,

and we are quite familiar with the increase which has been made in the price of material and supplies.

After a careful consideration of all of the evidence in this case, we are of the opinion, and find, that there is a need for additional revenue on the part of this company in operation of its exchange at Aberdeen; that the rates proposed to be put into effect are, for the service received by the subscribers of the Aberdeen exchange, fair, just and reasonable. The rates are approved.

And it will be so ordered.

Done in regular session at the city of Pierre, the Capital, on this fourth day of March, 1919.

ORDER.

In this case the Board having completed its investigation and on this date filed its report containing its findings and conclusions, and being fully advised in the premises, and sufficient cause for this order appearing;

It is ordered, considered and adjudged, That the Dakota Central Telephone Company be, and hereby is, authorized and empowered to publish and put into effect at its exchange in Aberdeen as of April 1, 1919, residence rates as follows:

Residence, main line service, per month.....	\$2 25
Residence, party line service, per month.....	1 75

subject to a discount of 25 cents if paid in advance on or before the fifteenth day of the current month.

March 4, 1919.

UTAH.

Public Utilities Commission.

In re ORDER OF SUSPENSION OF TELEPHONE RATES, TOLLS, RENTALS, CHARGES, CLASSIFICATIONS, RULES AND REGULATIONS INSTITUTED OR SOUGHT TO BE INSTITUTED WITHOUT COMPLYING WITH THE PROVISIONS OF SECTION 4785 AND SECTION 4830, COMPILED LAWS OF UTAH, 1917.

General Order No. 4.

Decided February 20, 1919.

Toll Rates and Toll Classifications Prescribed in Order No. 2495 of the Postmaster General, Suspended.

ORDER.

It appearing that on January 20, 1919, there was offered for filing with the Public Utilities Commission of Utah, a certain document designated as "United States Telegraph and Telephone Administration—Telegraph and Telephone Service Bulletin No. 22," containing Order No. 2495, issued by Postmaster General A. S. Burleson, under date of December 13, 1918, by which said order it was attempted to make certain changes in the existing telephone rates, tolls, rentals, charges, classifications, rules and regulations applying to certain classes of telephone service within the State of Utah, said changes to become effective January 21, 1919; and

It further appearing that telephone companies operating in the State of Utah have attempted to institute changes in rates, charges, rules and regulations, as specified in said Postmaster General A. S. Burleson's Order No. 2495, wholly at variance with, and contrary to, the laws of the State of Utah, governing and controlling such matters; and particularly in violation of Section 4785 and of Section 4830, Compiled Laws of Utah, 1917;

And it further appearing to the Commission that the said Postmaster General has no authority in law to institute such rates and charges on intrastate telephone business; that such authority is claimed by virtue of an Act of Congress, the constitutionality of which has not been passed upon or determined by a court of competent jurisdiction; and that, therefore, the putting into effect of said schedules by telephone companies operating in the State of Utah should not be allowed;

It is ordered, That all changes made or attempted to be made, under purported authority of Order No. 2495, relating to or affecting any rate, toll, rental, charge, classification or service, the result of which has been to alter the charge or charges paid for telephone service, in and between points in the State of Utah, be, and they are hereby, suspended.

Ordered further, That all telephone corporations operating in the State of Utah, shall immediately cease and desist from charging, collecting, demanding or receiving any intrastate rate, toll, rental or charge based upon said Order No. 2495.

Ordered further, That the legal rates and charges for telephone service within the State of Utah, be, and the same are hereby, declared to be the rates and charges as legally filed with the Public Utilities Commission of Utah, in compliance with the laws of the State and the orders of this Commission.

It is further ordered, That a copy of this order be forthwith served upon Postmaster General A. S. Burleson, and upon all telephone corporations operating in the State of Utah.

Dated at Salt Lake City, Utah, this twentieth day of February, 1919.

WASHINGTON.

Public Service Commission.

PUBLIC SERVICE COMMISSION *et al.* v. THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY AND ALBERT S. BURLERSON, POSTMASTER GENERAL OF THE UNITED STATES, AS DIRECTOR OF TELEGRAPH AND TELEPHONE SYSTEMS.

PUBLIC SERVICE COMMISSION OF WASHINGTON *et al.* v. THE HOME TELEPHONE AND TELEGRAPH COMPANY OF SPOKANE, AND ALBERT S. BURLERSON, POSTMASTER GENERAL OF THE UNITED STATES, AS DIRECTOR OF TELEGRAPH AND TELEPHONE SYSTEMS.

No. 4747 Consolidated.

*Decided February 13, 1919.**

Increase in Exchange Rates Authorized — Contract Between Postmaster General and Bell System, Considered — $4\frac{1}{2}$ Per Cent. Payment Approved — Telephone Operation Not Contemplated to be Supported in Whole or in Part by Taxation.

On November 6, 1918, The Pacific Telephone and Telegraph Company, which had been taken over by the President on July 31, 1918, under the Resolution of Congress of July 16, 1918, and placed by the President in the hands of the Postmaster General, filed, with the approval of the Postmaster General, a tariff of rates which would generally increase the exchange rates of the Pacific company in the State of Washington. The effective date of this schedule was originally fixed as November 15, 1918, but was subsequently changed by the Postmaster General to December 6, 1918, and the Commission was asked by the Postmaster General to proceed to hear complaints in accordance with the regular procedure, and to dispose of the matter in the regular way.

The Commission considered the contract of the government with the Bell System, which contract involved the approval of the $4\frac{1}{2}$ per cent. payment, and also considered the book value of the plant of the Pacific company; the average plant value for 1914 with net additions by years

* On March 13, 1919, the Superior Court of Thurston County, Washington, on motion of the petitioner and relator ordered that a writ of review be issued against the Public Service Commission of Washington requiring and directing that the record in Cause No. 4747 be certified to the court on or before April 10, 1919 at the hour of 10:30 A. M.

[Wash.]

to the property; the average exchange plant value apportioned to communities; the annual net earnings, with taxes and reserve depreciation figured at 5.72 per cent.; the annual net earnings by communities, using the exchange and 30 per cent. of the toll revenues with tax and reserve for depreciation figured at 5.72 per cent., and the rate of return for the whole State, and the rate of return by communities. The Commission also made a comparative study of the income statement for the months of August and September, 1917, with the same months in 1918, which statement reflected the increased cost of labor and material. The Commission further considered the return received by the company under the compensation agreement with the government, the percentage of increase in exchange rates proposed, the probable reduction in toll rates resulting from the application of Order No. 2495 of the Postmaster General, the increased wages which were paid the operators of the Pacific company and the general character of the service furnished.

Held: That as Congress in its wisdom saw fit to empower the President of the United States to take over all telephone and telegraph systems of the country, and as this authorization was a war measure, the Commission must presume that Congress acted with a thorough understanding of the gravity of the situation, and that this condition still continues, or Congress would reverse its action;

That the President, under the Joint Resolution of Congress, having taken control of the telephone and telegraph systems, it was but natural and logical that their operation should be placed in the Post Office Department, as this is the department of communications;

That although, before the government took possession of the telephone systems of the United States, the Pacific company was endeavoring to keep away, as long as possible, from increasing rates, the question of wages of operators was becoming more intense, and the wage increase of October was highly meritorious, as the wages theretofore received by the operators were too low, and incompatible with their necessities, although the imperfect telephone service in the State of Washington was far more attributable to the slowness with which persons called responded than to any lack of efficiency on the part of operators;

That while the contract between the Postmaster General and the Bell System was not very much involved in this hearing, nevertheless, after considerable thought the Commission found that the compensation allowed the Pacific company for the use of its property on the coast was not unreasonable nor unfair, as it would yield only about $4\frac{1}{2}$ per cent. on the company's book value;

That the $4\frac{1}{2}$ per cent. payment made by associate companies to the American company and approved by the government was a beneficial arrangement conducive to telephonic development and service;

That the Commission had no quarrel with the doctrine that in war and under abnormal conditions companies cannot expect to earn a return on their investments which would in ordinary times be reasonable, but this

C. L. 88]

doctrine is not applicable to the Pacific company, as its return in 1915 was 2.38 per cent., in 1916, 3.85 per cent., in 1917, 3.93 per cent., and for nine months of 1918 at the rate of 3.69 per cent.;

That thoughtful people of the State did not question that the Federal Government should not support telephone operation in whole or in part by general taxation, and that the tariffs in each state should be sufficiently high to create an operating income sufficient to meet operating expenses, and the compensation agreed upon between the Federal Government and the various companies where such compensation is reasonable, for what subscribers demand, and are entitled to, is an efficient service, and that the money raised in the State of Washington should be spent in the State of Washington, and to both of these the Postmaster General has agreed;

That the proposed schedule of rates should be authorized to become effective as of December 6, 1918,* and that all contracts in conflict with said rates should be terminated.

FINDINGS.

These causes came on for hearing at Olympia, Washington, at the hour of one o'clock P. M., on Wednesday the fifteenth day of January, 1919, before chairman E. F. Blaine and commissioners A. A. Lewis and Frank R. Spinning. The Commission was represented by *H. H. Cleland*, Assistant Attorney General; *D. F. McCurrach*, its chief engineer; and *E. D. Ridley*, accountant. *E. J. Delbridge*, official reporter of the Commission, was also present.

The parties were represented as follows:

Complainants: city of Seattle, *Walter F. Meier*, corporation counsel, by *Thomas J. L. Kennedy*, assistant corporation counsel; *Thomas F. Murphine*, *J. J. O'Brien* and *E. D. Wettrick*; city of Spokane, *Alex. Winston*, assistant corporation counsel; *C. M. Fassett*, mayor; and *H. C. Bender*, superintendent of public utilities; city of Tacoma, *U. E. Harmon*, corporation counsel; city of Yakima, *Judge Thomas E. Grady*; city of Ritzville, *C. A. Sprague*.

Respondents: *H. D. Pillsbury*, vice president and general attorney; *J. T. Shaw*, attorney; *Otto B. Rupp*, Seattle, attorney; *C. E. Fleager*, plant engineer; *A. E. Boyles*, assistant rate expert; *E. J. Fisher*, assistant rate expert;

* By supplemental order dated February 20, 1919, the effective date of the Commission's order was changed to March 1, 1919, the Postmaster General consenting.

Wash.

W. D. Moore, plant superintendent western division of Washington; *H. J. Tinkham*, division superintendent of plant, The Pacific Telephone and Telegraph Company, for eastern Washington and for The Home Telephone and Telegraph Company of Spokane; *C. E. Hickman*, general manager for The Home Telephone and Telegraph Company of Spokane; *W. J. Phillips*, division commercial superintendent of The Pacific Telephone and Telegraph Company; and *J. H. Corcoran*, division traffic superintendent of The Pacific Telephone and Telegraph Company.

The following witnesses being sworn and examined, C. E. Fleager, E. J. Fisher, W. W. Hardinger, W. D. Moore, J. J. O'Brien, E. D. Ridley, A. E. Boyles, C. A. Sprague, C. O. Calderhead, C. E. Hickman, C. M. Fassett, and proof being offered by the respective parties, and the Commission being fully advised in the premises, makes the following findings of fact from the testimony and proofs concerning The Pacific Telephone and Telegraph Company and the Postmaster General.

I.

The Pacific Telephone and Telegraph Company is a corporation owning an extensive telephone and telegraph system in the States of Washington, Oregon and California, with minor operations in Idaho and Nevada; and, as such corporation, on and prior to the thirty-first day of July, 1918, was operating such telephone and telegraph system for hire in said States.

II.

RESOLUTION OF CONGRESS.

July 16, 1918, the Senate and House of Representatives of the United States of America, by Joint Resolution, authorized the President of the United States to take possession, control and operate all telephone and telegraph lines in the United States.

III.

PRESIDENT ASSUMES CONTROL.

July 31, 1918, the President of the United States, under and by virtue of the Joint Resolution mentioned in the

preceding paragraph, did assume possession and control, and did undertake the operation of all the telephone and telegraph lines in the United States.

IV.

PROPOSED TARIFFS FILED.

November 6, 1918, The Pacific Telephone and Telegraph Company, with the approval of the Postmaster General, filed with this Commission certain tariffs numbered W. P. S. C. No. 2, bearing the notation

“Effective November 15, 1918, unless and until otherwise ordered by the Postmaster General of the United States, or otherwise, according to law”,

which tariffs, if effective, would generally increase the exchange rates of The Pacific Telephone and Telegraph Company in the State of Washington.

V.

PROTESTS AGAINST TARIFFS.

Immediately following the filing of said W. P. S. C. No 2 various protests were entered against the proposed increase in rates, and telegrams and letters relative thereto were exchanged between the Postmaster General and the Public Service Commission of Washington.

VI.

INSTRUCTIONS FROM POSTMASTER GENERAL.

November 27, 1918, the Public Service Commission of Washington received from the Postmaster General a telegram, stating among other things as follows:

“Replying to your telegram twenty-sixth apparently sent before you received my telegram of same date please strike out from rate schedule filed on November 6 the date November 15 and substitute December 6 as the effective date. Please proceed to hear complaints in accordance with your regular procedure and dispose of the matter in the regular way * * *.”

VII.

CHALLENGE TO JURISDICTION.

Practically at the opening of the hearing in this cause the assistant corporation counsel of Seattle, speaking on behalf of the city of Seattle and other cities, asserted:

"We want to present right here our challenge to the jurisdiction of this body (the Public Service Commission of Washington) to sit in any capacity."

VIII.

CONTRACT OF GOVERNMENT WITH BELL SYSTEM.

October 4, 1918, the American Telephone and Telegraph Company, in behalf of itself and each constituent company of the Bell System thereafter joining therein, made a proposal offering to accept the just compensation named in such proposal for the supervision, possession, control and operation of the Bell System taken by the President of the United States at twelve o'clock midnight on July 31, 1918; said proposal being accepted October 5, 1918, by the Postmaster General by Order No. 2085.

October 14, 1918, The Pacific Telephone and Telegraph Company, in writing, indicated to the Postmaster General its purpose to join in and that it did join in said proposal.

December 6, 1918, in furtherance of said proposal, an understanding was entered into between the American Telephone and Telegraph Company, under and by virtue of which, The Pacific Telephone and Telegraph Company was to receive from the general compensation awarded the Bell System an annual amount of \$4,233,233, subject to corrections for errors in computations. Said amount is, however, subject to change to meet future conditions, although not in a substantial manner. The contract between the Postmaster General and the Bell System, and the agreement between the Bell System and The Pacific Telephone and Telegraph Company, provides for an annual depreciation of 5.72 per cent. as applied to the book value of the property. The compensation to the Bell System as set out in Section 7 of the contract between it and the Postmaster General is as follows:

"Section 7. (a) The Postmaster General shall pay to the American company for each year, and pro rata for each fractional part of a year during the period of federal control, an amount equal to the sum of the following four items: item (1) the annual interest and existing amortization charges on all outstanding securities or obligations of the Bell System in the hands of the public, including \$48,367,200 of the American com-

pany's seven-year 6 per cent. convertible gold bonds, dated August 1, 1918, due August 1, 1925, item (2) dividends for the period of one year upon the share capital of the Bell System outstanding July 31, 1918, in the hands of the public, at the average rate of regular dividends paid thereon during the three years ending December 31, 1917, which items (1) and (2) aggregate \$65,148,641, subject to corrections for errors in computations, if any, item (3) the annual charge for interest and dividends and other costs of securing necessary additional capital for such expenditures as may be made at the request of the Postmaster General, and item (4) the annual charge for such interest and dividends as the Bell System may be required to pay on new securities or share capital issued for the discharge, conversion or renewal of present obligations, including sinking fund obligations, and for additional interest and charges to secure extensions on existing securities.

(b) The said compensation shall be paid to the American company in monthly installments on the last day of each calendar month during the period of federal control, except that installments which have accrued prior to the acceptance of this proposal shall be payable at the date of such acceptance; such payments to the American company to operate to fully satisfy and discharge all claims of the constituent companies and each of them on account of the amounts so paid.

If any constituent company shall fail to join in this proposal, as provided by Section 12 hereof, the following deductions shall be made from the above mentioned items (1) and (2).

(1) There shall be deducted an amount equal to the annual interest and existing amortization charges, on all outstanding securities or obligations of such non-joining constituent company; and

(2) There shall be deducted an amount equal to dividends for the period of one year, at the average rate paid during the three years ending December 31, 1917, upon the share capital of such non-joining constituent company outstanding on July 31, 1918."

IX.

4½ PER CENT. CONTRACT.

Between the Bell System and its constituent companies there has, for many years, existed what is known as the 4½ per cent. contract. This contract is recognized and made a part of the agreement between the Bell System and the constituent companies joining and the Postmaster General.

X.

The book value of the plant of The Pacific Telephone and Telegraph Company System as of December 31, 1917, is as follows:

1508 WASHINGTON PUBLIC SERVICE COMMISSION.

[Wash.

	<i>Real Estate</i>	<i>Plant</i>	<i>Total</i>
Washington (excluding Home of Spokane).	\$1,652,415 00	\$17,551,367 00	\$19,203,782 00
Oregon	1,050,729 00	9,516,167 00	10,566,896 00
Idaho .....	.....	341,187 00	341,187 00
Nevada	559 00	825,458 00	826,017 00
California	4,958,537 00	60,019,003 00	64,977,540 00
TOTAL	\$7,662,240 00	\$88,253,182 00	\$95,915,422 00

XI.

The average plant value as found by the Commission for the State of Washington, as of December 31, 1914, excluding The Home Telephone and Telegraph Company of Spokane, with net additions by years to property, as shown by books of the company, is as follows:

1915.....	\$15,966,705 00
1916.....	15,935,245 00
1917.....	15,986,493 00
1918, nine months.....	16,402,449 00

XII.

The average exchange plant value as found by the Commission, apportioned to communities, December 31, 1914, with net additions by years to property as shown by the books of the company is as follows:

	<i>1915</i>	<i>1916</i>	<i>1917</i>	<i>Nine Months 1918</i>
Aberdeen	\$235,947 00	\$241,360 00	\$252,243 00	\$263,859 00
Almira	2,296 00	2,816 00	3,865 00	4,828 00
Anacortes	46,406 00	.....	.....	.....
Arlington	43,147 00	.....	.....	.....
Auburn	21,946 00	22,513 00	23,378 00	24,005 00
Bellingham	599,233 00	594,978 00	594,895 00	601,450 00
Battleground...	.....	1,137 00	2,393 00	2,519 00
Bothell	11,997 00	.....	.....	.....
Bremerton	30,901 00	61,916 00	64,409 00	71,308 00
Buckley	7,163 00	7,150 00	7,313 00	7,504 00
Burlington	30,519 00	.....	.....	.....
Centralia	72,169 00	73,241 00	75,589 00	77,382 00
Camp Lewis...	.....	.....	11,468 00	35,577 00

PUBLIC SERVICE COM. *et al. v. THE PACIFIC T. & T. CO.* 1509
C. L. 88]

	1915	1916	1917	Nine Months 1918
Chehalis		26,703 00	54,330 00	55,424 00
Cle Elum.....	12,427 00	13,164 00	14,519 00	15,632 00
Colfax	52,356 00	54,822 00	55,859 00	55,667 00
Colville	18,139 00	18,324 00	18,980 00	19,411 00
Coulee City....	2,526 00	2,936 00	3,617 00	4,057 00
Coupeville	7,325 00			
Dayton	36,336 00	36,817 00	37,282 00	37,749 00
Deer Park.....	6,332 00	6,685 00	7,449 00	8,113 00
Edison	2,721 00			
Edwall	1,661 00	1,820 00	1,977 00	1,990 00
Enumelaw	8,017 00	8,826 00	9,301 00	9,455 00
Ephrata	4,720 00	4,847 00	5,113 00	5,483 00
Everett	299,985 00			
Harrington	7,467 00	8,606 00	9,593 00	10,044 00
Hartline	781 00	965 00	1,168 00	1,205 00
Hoquiam	78,850 00	81,052 00	84,145 00	87,275 00
Hatton		317 00	636 00	637 00
Issaquah	4,326 00	4,702 00	5,366 00	5,815 00
Kent	12,511 00	25,126 00	25,899 00	26,745 00
Lind	4,902 00	5,058 00	5,206 00	5,303 00
Monroe	34,388 00			
Mount Vernon..	45,704 00			
Marcus			1,891 00	3,942 00
Medina			2,938 00	6,029 00
Newport	4,807 00	9,277 00	8,858 00	8,751 00
Northport	3,432 00	5,208 00	7,070 00	7,428 00
North Yakima..	293,863 00	300,985 00	310,428 00	319,987 00
Oak Harbor....	4,805 00			
Odessa	5,274 00	5,896 00	6,676 00	7,098 00
Okanogan	3,392 00	7,076 00	7,956 00	8,927 00
Olympia	113,132 00	123,658 00	135,499 00	141,417 00
Oroville		5,096 00	11,213 00	12,258 00
Palouse	14,898 00	14,795 00	14,803 00	14,855 00
Pasco		11,960 00	25,494 00	27,362 00
Pateros	2,611 00	3,014 00	3,239 00	3,480 00
Pomeroy	29,689 00	30,156 00	30,887 00	31,596 00
Port Blakeley..	9,178 00	18,605 00	18,882 00	19,085 00
Port Madison ..	1,828 00	3,615 00	3,690 00	3,861 00
Port Orchard ..	12,379 00	24,841 00	25,322 00	26,049 00
Raymond	10,275 00	21,354 00	23,244 00	25,136 00
Renton	12,986 00	25,921 00	26,255 00	26,591 00
Ritzville	23,984 00	25,439 00	28,054 00	28,906 00
Roy	1,743 00	1,865 00	1,978 00	1,942 00

1510 WASHINGTON PUBLIC SERVICE COMMISSION.

[Wash.

	1915	1916	1917	<i>Nine Months</i> 1918
Riverside		629 00	1,398 00	1,552 00
Seattle	6,632,435 00	6,639,161 00	6,743,412 00	6,894,142 00
Sedro Woolley..	39,387 00	.....	.....	.....
Shelton	6,877 00	7,213 00	7,545 00	7,679 00
Silverdale	4,687 00	9,430 00	9,569 00	9,694 00
Snohomish	33,861 00	.....	.....	.....
South Bend....	8,059 00	15,954 00	16,027 00	16,517 00
Sprague	11,677 00	11,799 00	12,010 00	12,194 00
Sultan	4,433 00	.....	.....	.....
Stanwood	17,558 00	.....	.....	.....
Sumner	11,686 00	14,900 00	16,193 00	16,438 00
Tacoma	2,382,133 00	2,393,933 00	2,450,466 00	2,512,672 00
Vancouver	138,453 00	140,054 00	146,134 00	157,576 00
Vashon .....	.....	2,971 00	.....	.....
Waitsburg	11,891 00	12,082 00	12,190 00	12,427 00
Walla Walla...	313,275 00	327,514 00	343,342 00	356,075 00
Wilbur	9,868 00	9,993 00	10,688 00	11,461 00
Wilson Creek..	2,049 00	2,114 00	2,161 00	2,122 00
Yacolt .....	.....	2,419 00	5,673 00	6,011 00
Miscellaneous ex- changes	166,452 00	167,835 00	167,829 00	175,242 00

XIII.

The annual net earnings for the State of Washington by years, with taxes and depreciation at 5.72 per cent., based upon the average plant value, are as follows:

	<i>Using Exchange and 30 Per Cent. Toll Revenue</i>	<i>Using Exchange and Total Toll Revenue</i>
1915.....	*\$77,502 98	\$380,407 69
1916.....	43,098 77	614,121 37
1917.....	*49,531 15	627,858 27
1918 (nine months).....	*136,994 55	454,012 58

* Indicates red figures.

XIV.

The annual net earnings by communities in the State of Washington, by years, using exchange and 30 per cent. toll revenue, with taxes and depreciation at 5.72 per cent., based upon average plant value, are as follows:

	1915	1916	1917	Nine Months 1918
Aberdeen	*\$200 17	\$3,593 19	*\$7,886 01	*\$6,177 42
Almira	190 02	135 42	145 58	*614 37
Anacortes	*5,849 97	.....	.....	.....
Arlington	*3,860 55	.....	.....	.....
Auburn	*115 90	*121 14	*300 25	*915 57
Bellingham	*14,412 16	*11,987 93	*8,876 77	*6,942 26
Battleground...	.....	*265 16	*906 06	*347 22
Bothell	*1,829 85	.....	.....	.....
Bremerton	*3,254 50	*4,456 70	*3,485 29	*2,671 13
Buckley	*2,228 03	*2,019 65	*2,213 09	*1,939 09
Burlington	*4,215 02	.....	.....	.....
Centralia	2,697 74	2,176 68	*1,313 51	*1,041 94
Camp Lewis...	.....	.....	*1,036 00	*8,134 96
Chehalis .....	.....	1,516 15	1,008 95	1,358 59
Cle Elum.....	*1,473 18	*1,400 98	*1,842 23	1,990 09
Colfax	1,904 84	2,797 69	1,284 86	*485 90
Colville	*617 60	*183 07	*800 06	*2,269 37
Coulee City....	178 27	204 36	101 14	*189 24
Coupeville	*929 99	.....	.....	.....
Dayton	*645 29	706 87	241 12	*296 46
Deer Park.....	*3,443 63	*1,617 01	*3,772 80	*3,587 46
Edison	*427 21	.....	.....	.....
Edwall	*133 56	*78 12	*99 20	*109 69
Enumelaw	*599 22	*206 08	*790 03	*417 34
Ephrata	*177 52	*220 51	125 70	38 24
Everett	*6,892 52	.....	.....	.....
Harrington	*532 44	209 81	*1,149 29	*1,584 90
Hartline	*156 03	*165 00	*337 54	*236 15
Hoquiam	6,128 56	8,580 56	5,657 09	3,156 89
Hatton .....	.....	*40 68	*718 77	*205 59
Issaquah	*788 21	*836 37	*615 85	*935 05
Kent	*1,152 85	*1,622 58	*538 10	*117 82
Lind	191 42	134 58	7 49	269 36
Monroe	*3,877 52	.....	.....	.....
Mount Vernon..	*5,646 70	.....	.....	.....
Marcus .....	.....	.....	127 05	*724 67
Medina .....	.....	.....	*436 81	*126 44
Newport	*1,253 17	*1,165 59	*1,510 77	*1,348 21
Northport	*1,263 03	*1,044 52	*1,069 65	*834 07
North Yakima..	11,161 65	16,438 59	3,855 09	2,593 64
Oak Harbor....	*1,029 17	.....	.....	.....

* Indicates red figures.

1512 WASHINGTON PUBLIC SERVICE COMMISSION.

[Wash.

	1915	1916	1917	Nine Months 1918
Odessa	*608 23	*605 06	*1,214 87	*1,216 74
Okanogan	*369 64	*54 94	*1,696 38	*1,451 17
Olympia	4,990 58	6,222 60	2,249 64	3,421 16
Oroville .....	.....	*704 97	*1,950 32	*1,965 58
Palouse	*1,683 26	*1,555 92	*2,490 74	*2,096 40
Pasco .....	.....	1,287 58	1,637 96	899 70
Pateros	*790 31	*514 32	*519 07	*431 48
Pomeroy	*749 63	*681 44	*1,098 80	*1,512 31
Port Blakeley..	*1,342 43	*4,344 66	*2,804 64	*1,980 89
Port Madison ..	*337 16	*872 71	*637 16	*486 00
Port Orchard ..	*1,463 38	*3,319 35	*2,891 16	*2,558 56
Raymond	*581 78	*425 67	2,506 61	2,419 51
Renton	*1,276 52	*1,811 46	*1,301 50	*1,222 57
Ritzville	*238 37	273 65	*79 02	*392 66
Roy	*462 52	*20 90	*192 68	*257 12
Riverside .....	.....	*455 31	*1,099 27	*629 87
Seattle	257,566 32	302,107 82	235,268 66	226,942 79
Sedro Woolley..	*4,033 04	.....	.....	.....
Shelton	*467 75	*761 87	*898 32	*1,308 98
Silverdale	901 71	*2,255 03	*2,205 41	*2,491 46
Snohomish	*4,528 96	.....	.....	.....
South Bend....	*351 63	*1,438 71	*1,215 62	248 79
Sprague	*610 04	*430 96	*1,168 15	*891 36
Sultan	*1,951 75	.....	.....	.....
Stanwood	*3,625 54	.....	.....	.....
Sumner	*4,255 67	*2,467 45	*2,449 51	*2,267 84
Tacoma	*30,754 03	2,049 07	*7,462 43	*8,518 46
Vancouver	*2,264 09	*2,927 66	*8,001 48	*6,302 24
Vashon .....	.....	*637 16	.....	.....
Waitsburg	*1,108 04	*814 60	*1,182 56	*1,020 76
Walla Walla...	16,386 59	21,332 79	18,580 16	11,638 30
Wilbur	*375 38	*119 07	*670 80	*1,337 00
Wilson Creek..	*299 47	*323 35	*314 79	*452 82
Yacolt .....	.....	*958 04	*1,877 64	*1,573 44
Miscellaneous ex- changes	*24,571 04	*18,176 50	*9,749 07	*9,372 38

* Indicates red figures.

XV.

The rate of return in the State of Washington, based upon the rate base as found by the Commission as of

C. L. 88]

December 31, 1914, with net additions by years, using average plant value is as follows:

	<i>Using Exchange and 30 Per Cent. Toll Revenue Per Cent.</i>	<i>Using Exchange and Total Toll Revenue Per Cent.</i>
1915.....	*0.49	2.38
1916.....	0.27	3.85
1917.....	*0.31	3.93
1918.....	*1.11	3.69

XVI.

The rate of return by communities in the State of Washington based upon the rate base as found by the Commission as of December 31, 1914, with net additions by years, using average plant value is as follows:

	<i>1915 Per Cent.</i>	<i>1916 Per Cent.</i>	<i>1917 Per Cent.</i>	<i>1918 Per Cent.</i>
Aberdeen	*0.08	1.49	*3.13	*3.12
Almira	0.83	4.81	*3.77	*16.83
Anacortes	*12.58	.....	.....	.....
Arlington	*8.95	.....	.....	.....
Auburn	*0.53	*0.54	*1.82	*5.08
Bellingham	*2.41	*2.02	*1.49	*15.38
Battleground .....	.....	*23.31	*36.43	*18.37
Bothell	*15.25	.....	.....	.....
Bremerton	*10.53	*7.20	*5.41	*5.00
Buckley	*31.10	*28.25	*30.26	*34.48
Burlington	*13.81	.....	.....	.....
Centralia	3.74	2.97	*1.74	*1.80
Camp Lewis .....	.....	.....	*9.03	*30.95
Chehalis .....	.....	5.67	1.86	3.27
Cle Elum	*11.85	*10.64	*12.69	*16.96
Colfax	3.64	5.10	2.30	*1.16
Colville	*3.40	*0.85	*4.22	*15.58
Coulee City	7.06	6.96	2.79	*6.23
Coupeville	*12.70	.....	.....	.....
Dayton	*1.78	1.92	0.65	*1.05
Deer Park	*54.38	*24.19	*50.65	*59.00
Edison	*15.70	.....	.....	.....

* Indicates red figures.

	1915	1916	1917	1918
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Sprague	*5.22	*3.65	*9.72	*9.74
Sultan	*44.02	.....	.....	.....
Stanwood	*20.64	.....	.....	.....
Sumner	*16.56	*15.12	*3.03	*18.40
Tacoma	*1.29	.085	*.30	*.45
Vancouver	*1.65	*2.10	*5.47	*5.33
Vashon .....	.....	*21.44	.....	.....
Waitsburg	*9.32	*6.74	*9.70	*10.97
Walla Walla	5.23	6.51	5.41	4.36
Wilbur	*3.80	*1.19	*6.27	*15.57
Wilson Creek	*14.59	*15.27	*14.56	*28.45
Yacolt .....	.....	*39.60	*33.10	*34.90
Miscellaneous exchanges ...	*14.76	*10.82	*5.80	*7.12

XVII.

The following is a comparative income statement for the State of Washington for the months of August and September, 1917 and 1918, reflecting increased costs of labor and material:

	<i>August and September</i>	
	1917	1918
Exchange revenue	\$513,295 96	\$552,913 33
Toll revenue	183,243 83	204,676 48
Miscellaneous revenue	13,030 39	14,666 11
Licensee revenue	*24,647 14	*27,651 08
TOTAL REVENUE	\$684,923 04	\$741,604 84
Operating expenses	358,004 44	399,289 47
Taxes	38,047 24	44,608 56
Depreciation	152,404 56	156,370 00
TOTAL EXPENSES	\$548,456 24	\$600,268 03
Amount earned	\$136,466 80	\$144,336 81
Average plant value	\$15,986,493 00	\$16,402,449 00
Per cent. earned.....	.85	.88

* Indicates red figures.

XVIII.

The data set forth in Paragraphs X. to XVII., inclusive, was gathered by the experts of the Public Service Commission of Washington from the books of The Pacific Telephone and Telegraph Company, and the annual reports of this Commission. Set up in another form, and covering somewhat different period of operation, The Pacific Telephone and Telegraph Company has produced and introduced as evidence several schedules. From these schedules they have made the following condensed statement which forms part of the proofs in this case:

STATE OF WASHINGTON, YEAR 1919.
ESTIMATES.
AREAS PROPORTIONAL TO RATE BASE VALUE.

Legend.

1. Rate base
2. Revenues
3. Expenses
4. Net revenues
5. Return, per cent.
6. Per cent. of total

<i>Seattle</i>			<i>Tacoma</i>		
	<i>Present</i>	<i>Proposed</i>	<i>Present</i>	<i>Proposed</i>	
1.....	\$7,386,323 00	\$7,386,323 00	\$2,574,438 00	\$2,574,438 00	
2.....	2,238,100 00	2,493,500 00	568,000 00	680,800 00	
3.....	2,111,400 00	2,111,400 00	619,300 00	619,300 00	
4.....	126,700 00	382,100 00	*51,300 00	61,500 00	
5.....	1.70	5.17	1.99	2.39	
6.....	43.0	43.0	15.0	15.0	
<i>Bellingham</i>			<i>Yakima</i>		
1.....	\$611,165 00	\$611,165 00	\$332,675 00	\$332,675 00	
2.....	112,300 00	140,100 00	104,400 00	128,700 00	
3.....	125,700 00	125,700 00	104,820 00	104,820 00	
4.....	*13,400 00	14,400 00	*420 00	23,880 00	
5.....	*2.19	2.36	*.13	6.88	
6.....	3.6	3.6	1.9	1.9	
<i>Aberdeen-Hoquiam</i>			<i>Walla Walla</i>		
1.....	\$363,670 00	\$363,670 00	\$365,658 00	\$365,658 00	
2.....	108,700 00	134,900 00	106,000 00	119,350 00	
3.....	117,010 00	117,010 00	94,355 00	94,355 00	
4.....	*8,300 00	17,890 00	11,645 00	24,995 00	
5.....	*2.28	4.92	3.19	6.85	
6.....	2.1	2.1	2.1	2.1	

* Indicates red figures.

Balance of Exchanges			Toll Lines		
	<i>Present</i>	<i>Proposed</i>	<i>Present</i>	<i>Proposed</i>	
1.....	\$1,330,374 00	\$1,330,374 00	\$4,203,892 00	†\$4,203,892 00	
2.....	485,960 00	582,365 00	1,042,000 00	†1,045,300 00	
3.....	599,880 00	599,880 00	488,000 00	†488,000 00	
4.....	*113,920 00	*17,515 00	554,000 00	†557,300 00	
5.....	*8.56	*1.32	13.17	†13.25	
6.....	7.8	7.8	24.5	†24.5	

State		
	<i>Present</i>	<i>Proposed</i>
1.....	\$17,167,995 00	\$17,167,995 00
2.....	4,765,460 00	5,325,015 00
3.....	4,260,465 00	4,260,465 00
4.....	504,995 00	1,064,550 00
5.....	.....	.....
6.....	100.	100.

Compensation for property.....	884,703 00	884,703 00
Margin to government over total operations...	*379,708 00	179,847 00

* Indicates red figure.

† Under *Proposed*, without reference to toll rates effective January 21, 1919.

XIX.

VALUATION OF PROPERTY.

The total book value of The Pacific Telephone and Telegraph Company's property in Washington, Oregon, Idaho, Nevada and California, including The Home Telephone and Telegraph Company of Spokane, is \$95,915,422. Of this sum \$19,203,782 represents the book value of the properties of The Pacific Telephone and Telegraph Company and The Home Telephone and Telegraph Company of Spokane in the State of Washington. Practically 20 per cent. of the total property of The Pacific Telephone and Telegraph Company is in the State of Washington. As the government is to pay The Pacific Telephone and Telegraph Company, under the agreement with the Postmaster General, \$4,233,233, in a sense, Washington's share of this compensation would be \$846,647. In its 1919 estimate, The Pacific Telephone and Telegraph Company considers \$884,703 as compensation for its property; this would be a rate of return upon the property in Washington, exclusive of Spokane, of 5.15 per cent. The foregoing book value is different in Washington from the rate base found by the Commission plus net addi-

tions by years. The rate base in Washington with net additions by years as of December 31, 1918, three months of 1918 being estimated, is \$16,641,145. The estimated net additions for the year 1919 are \$1,053,700, or a total as of December 31, 1919, of \$17,694,845, making an average for the year 1919 of \$17,167,995.

XX.

ADDITIONS TO PROPERTY 1919.

Of the estimated net additions to property for 1919, the greater proportion thereof is allotted as follows:

Seattle	\$653,500 00
Tacoma	49,500 00
Vancouver	17,400 00
Walla Walla	14,700 00
Aberdeen and Hoquiam	10,800 00
Bellingham	9,600 00
Yakima	9,550 00
Olympia	5,100 00

XXI.

RETURN UNDER COMPENSATION AGREEMENT.

The book value of the holdings of The Pacific Telephone and Telegraph Company's Pacific Coast System is \$95,915,422. The compensation to be allowed for the company's Pacific Coast holdings is \$4,233,233, or a rate of return of 4.41 per cent.

XXII.

PERCENTAGE OF INCREASE PROPOSED.

The estimated percentage of increased rates on exchange service under Tariff W. P. S. C. No. 2 is 16.8 per cent.

XXIII.

REDUCTION IN TOLL RATES.

On December 13, 1918, the Postmaster General promulgated his General Order No. 2495, to become effective January 21, 1919, under and by virtue of which he did, in sub-

stance, establish a new schedule of toll rates, which, among other things, lengthened the initial period of certain calls and provided reduced night rates, the effect of which is to reduce the toll service income, and this reduction is estimated at \$68,851 for the year 1919.

XXIV.

INCREASED WAGES.

As of October 16, 1918, the wages of all operators of The Pacific Telephone and Telegraph Company were advanced 20 per cent., estimated \$300,000 for the year 1918. This advance did not greatly affect the operating expenses of 1918, but will materially increase the operating expenses of 1919. We find no advance in the salaries of officials and heads of the principal operating departments. During the war period there has been a constant increase in cost of material. The evidence tends to show that while there may be a drop in raw material no appreciable lowering of prices is anticipated in manufactured articles during the immediate future.

XXV.

SERVICE INVESTIGATIONS.

Preceding the hearing in this cause the Commission instituted a study of the telephone service in various exchanges in the State with the following result:

TELEPHONE SERVICE TESTS.

DECEMBER, 1918.

Location	Number of Calls	Operator Answers, Seconds	Called Party Answers, Seconds	Operator Disconnects, Seconds
Aberdeen	41	3.98	26.22	4.07
Bellingham	26	3.88	28.58	3.88
Centralia	8	7.25	25.00	4.71
Olympia	36	4.22	25.14	4.55
Spokane	24	4.08	38.46	4.88
Seattle	72	4.22	29.99	4.86
Tacoma	42	4.43	25.59	4.95
Vancouver	10	4.20	24.50	4.90

At the instance of the Commission several well known firms in the State of Washington made a test of their telephone service, among others being the McClincock-Trunkey Company, Wholesale Grocers, Spokane. They report as follows:

"We have called up 6 different business firms at intervals between ten and twelve o'clock this morning. From the time the Home company operator accepted the call until the operator at the other end of the line responded it was as follows:

Maxwell 21	13 seconds
Maxwell 1442	10 seconds
Riverside 51	10 seconds
Riverside 2364	18 seconds
Riverside 123	11 seconds
Main 183	10 seconds

We consider this most excellent service."

Holley-Mason Hardware Company of the same place, after making a test, states:

"We consider the telephone service very satisfactory and have no complaint to make so far as service is concerned, but we do feel that the charges are more than they should be."

Burroughs Adding Machine Company of Spokane, reports the following time in getting central:

6 seconds
 35 seconds
 4 seconds
 4 seconds
 2 seconds
 6 seconds

John W. Graham and Company of Spokane, concludes:

"We consider the telephone service entirely satisfactory, and have no complaint to make so far as service is concerned."

At Yakima, Yakima Iron Works report for completed calls as follows:

1 minute
 1½ minutes
 ½ minute
 ½ minute
 ½ minute
 1 minute

C. L. 88]

The United States Reclamation Service at the same point reports completed calls as follows:

1 minute
2 minutes
1 minute
2 minutes
1 minute
2 minutes

The Mercy Amusement Company of Yakima reports parties secured as follows:

20 seconds
30 seconds
10 seconds
12 seconds
23 seconds
21 seconds

Subsequent to the hearing, owing to an editorial appearing in one of the leading newspapers of the State attacking the creditability and judgment of one of the witnesses at the hearing called by the Commission, and which editorial also reflected upon the operators of the exchanges, we caused a further study to be made, with the following result:

TELEPHONE SERVICE TEST, SEATTLE, JANUARY, 1919.

	<i>Number of Calls</i>	<i>Operator Answers, Disconnects, Seconds</i>	<i>Operator Seconds</i>
Post Intelligencer	10	3.65	4.55
The Times	12	3.83	4.33
Merchants Exchange	12	3.50	4.25
Arctic Club	10	4.25	4.85
Union Record	12	3.70	4.30
Star	12	4.54	5.96
<hr/>			
TOTAL	68		
Average		3.90	4.69

OPINION AND ORDER.

We fully realize the gravity of the situation under which we are laboring. The order which we are about to enter

in this case will increase the telephone bills of nearly 150,000 patrons in the State of Washington. Against these patrons stands only the Postmaster General of the United States, and, independent of any increase of telephone rates, he is being assailed from many angles. We are inclined to think that not all complaints entered against him are well founded. Congress, in its wisdom, saw fit to empower the President of the United States to take over all telephone and telegraph systems of the country. As this authorization was a war measure, we must presume that Congress acted with a thorough understanding of the gravity of the situation, and that this condition still continues or Congress would reverse its action. The President, under the Joint Resolution of Congress, having taken control of the telephone and telegraph systems, it was but natural and logical that their operation should be placed in the Post-office Department, as this is the department of communications. Before the government took possession of the telephone systems of the United States, this Commission knew that The Pacific Telephone and Telegraph Company was endeavoring to keep away, as long as possible, from increasing rates.

The question of wages of operators, however, was becoming month by month more intense, and for quite a long period the Commission was of the opinion from information generally gathered that the wages of the operators were too low and incompatible with their necessities, and we are firmly convinced that the wage increase as of October was highly meritorious. The study made by this Commission clearly indicates that the telephone operators of the State of Washington are on a par with the operators in other parts of the United States. A perusal of the study set forth in a foregoing paragraph clearly demonstrates that the fault of an imperfect telephone service in the State of Washington is far more attributable to the slowness in which persons called respond than to any lack of efficiency on the part of the operators. Persons who refuse to answer their 'phones promptly

C. L. 88]

should appreciate the fact that their delay and other like delays force upon an operator the supervision of many uncompleted calls, and a single jarring word uttered, under such circumstances, to an operator may disconcert and confuse her in properly handling her work in hand.

While the contract between the Postmaster General and the American Telephone and Telegraph Company, or the Bell System and its constituent companies joining, is not very much involved in this hearing, we have nevertheless given it considerable thought and can not see in what manner it can be said that the compensation allowed The Pacific Telephone and Telegraph Company for the use of its property upon this coast is unreasonable or unfair. Taking the valuation as found by the Commission as of December 31, 1914, and adding thereto the additions and betterments, and dividing this sum by the number of telephones in this State, which is 143,853, shows a value per station of \$144.84. Applying this cost per station to the total number of stations of the Pacific company's system, which is 714,931, shows a value somewhat greater than the book cost of \$95,915,422; therefore, we are safe in assuming that the value of \$95,915,422 of the company's holdings in the five states is approximately correct. At this value the compensation allowed The Pacific Telephone and Telegraph Company for its property gives a rate upon the \$95,915,422 of $4\frac{1}{2}$ per cent. The government has approved of the usual $4\frac{1}{2}$ per cent. contract made between the Bell System and its constituent companies. At a large expense this Commission several years ago made a thorough investigation of this contract, but at that time entered no order concerning it. We have reached the conclusion that it is a beneficial arrangement conducive to telephone development and service. A number of other state commissions have analyzed and discussed it, and in the main have supported it. When we consider the property owned by The Pacific Telephone and Telegraph Company in the State of Washington, and the rate base heretofore determined by this Commission, the net additions thereto by years, and

the proposed increase in rates under the Postmaster General's Tariff W. P. S. C. No. 2, which is calculated would give a rate return of 6.20 per cent., we can not deem this rate of return other than reasonable. It is true that this rate of return is somewhat more than the rate of return provided by the contract of the Postmaster General for the use of The Pacific Telephone and Telegraph Company's property in this State, but this margin, which has been estimated at \$179,847, is not excessive in a business that may be at a peak particularly as to toll earnings with little or no hope of a fall in wages, and but a slight prospect of a reduction in the cost of manufactured articles. A study of the operating revenue of The Pacific Telephone and Telegraph Company during 1918 clearly demonstrates that the increase in earnings has almost wholly arisen from the toll service, and we are forced to conclude that the speed of the war period will slacken and the mail will, to an appreciable extent, take the place of the long distance message.

In one of the briefs filed in this cause it is declared that

"in war and under abnormal conditions companies cannot expect to earn a return upon their investments which would in ordinary times be deemed reasonable,"

and the cases cited in support of this doctrine are: *Re Holyoke Street Railway Company*, P. U. R. 1918-B, 212; *Re Empire Gas and Electric Company*, P. U. R. 1918-D, 912; *Re Haverhill Gas Light Company*, P. U. R. 1918-B, 151; *Re Long Island Railroad Company*, P. U. R. 1918-A, 649; *Re Home Telephone Company*, P. U. R. 1918-C. 489.*

We have no quarrel with the doctrine so announced, but to appreciate its applicability to the facts now before this Commission, let us examine those cases. The *Holyoke Case* holds that under the abnormal conditions caused by a state of war, the stockholders of a street railway utility ought not to expect a dividend rate higher than 6 per cent. As the Pacific company is receiving only 4½ per cent. from the

* See Commission Leaflet No. 77, p. 1022.

Federal Government and the government will not, in all probability, earn 6 per cent. upon the rate base in this State under the proposed rates the *Holyoke Case* would appear to be in favor of the government's contention. In the *Empire* decision, it is stated,

"It is estimated these rates will afford such an increase in revenue and should insure the payment of interest on the funded debt and dividends upon the preferred stock. They should also provide a moderate surplus available for dividends on the common stock."

This is compatible with the position of the government in the case at bar.

In the *Haverhill Case* this language is used:

"It was clearly stated at the hearings that the company desired an increase of 15 cents per thousand feet in order to enable it to continue to pay a 9 per cent. dividend. In view of the history of this company I am unwilling that it should receive such an award."

The *Long Island Case* concerned an overbuilt plant that had only a future, as no dividends had ever been paid, and the Commission uses this language:

"At the hearings no pretense was made to an advance in rates to yield a higher profit than had been earned in previous years."

In the *Home Telephone Case** the Commission states:

"Here is a company that has experienced a most unusual prosperity. Its past years have all been fat years. At this time of national need when men and institutions are called upon to sacrifice as they have never sacrificed before — when the full loaf is no longer asked or given — would it not be proper to ask if necessary (which it is not) that the company now resort to the surplus of previous years and make up for any partial loss of profits if necessary from the excess profits of the past?"

If this case has any applicability to the Pacific company which earned in 1915 in the State of Washington 2.38 per cent.; in 1916 3.85 per cent.; 1917, 3.93 per cent.; and 1918 (9 months) at the rate of 3.69 per cent. per annum, we fail to appreciate it.

* See Commission Leaflet No. 77, p. 1022.

[Wash.]

Thirty per cent. of all toll earnings is credited to the communities originating the outgoing messages. The testimony in this case reveals the fact that all lines used for toll service between exchanges are treated as a part of the toll plant, and the value of the toll plant has never been apportioned to the communities as has the exchange plant; thus some of the percentages shown by the exhibits of the Commission where the total revenue of toll service for the nine months of 1918 was apportioned to the communities, and the toll plant was not apportioned, establishes a percentage without reference to a true rate base.

The Postmaster General has seen fit to reduce certain toll rates in this and other states. While the rate of return upon toll service is high, and the rate of return upon exchange service is low, we are nevertheless of the opinion that the toll service can better stand the high rates, and there will be less friction in maintaining a toll service thereunder than under a marked increase in exchange rates. We are, however, not disposed to disturb Tariff W. P. S. C. No. 2 (which covers exchange only) on this ground. We have found it necessary on two different occasions to suspend Tariff W. P. S. C. No. 2. In each instance we have stated that any order which we might make would relate back to December 6, 1918, and we will so word this order. If this leads to a complication in billing for past service we will entertain an application of the Postmaster General to make this order effective from some distinct billing date.

We are led to believe from the testimony that the proposed increase of rates of The Home Telephone and Telegraph Company of Spokane was not so fully considered as it should have been, and before rendering a decision in that case it is probable that further testimony should be taken. The government, however, in dealing with The Pacific Telephone and Telegraph Company, has considered the coast as a whole, and had we considered Spokane in this opinion and calculated the return in that city based upon the Postmaster General's proposed tariff, our figures would materially change. The \$179,847 margin would shrink to

\$40,881. If, in a further consideration of the Spokane situation the Postmaster General's tariff for that city should be modified and substantially reduced, the \$40,881 may disappear.

We believe that the thoughtful people of our State do not question that the Federal Government shall not support telephone operation in whole or in part by general taxation, and that the tariffs in each state should be sufficiently high to create an operating income sufficient to meet operating expenses and the compensation agreed upon between the Federal Government and the various companies where such compensation is reasonable. What our people demand and are entitled to is an efficient service and that the money raised in the State of Washington shall be spent in this State. These two factors are agreed upon between the Postmaster General and this Commission as evidenced by communications.

Wherefore, it is ordered, That each and all protests to the Postmaster General's Tariff W. P. S. C. No. 2 of The Pacific Telephone and Telegraph Company be, and the same are hereby, overruled; and

It is further ordered, That the Postmaster General's Tariff W. P. S. C. No. 2 of The Pacific Telephone and Telegraph Company shall become effective as of date December 6, 1918;* and

It is further ordered, That all contracts in conflict with the rates provided for in Postmaster General's Tariff W. P. S. C. No 2 of The Pacific Telephone and Telegraph Company be terminated.

Witness the Public Service Commission of Washington this thirteenth day of February, 1919.†

* By supplemental order dated February 20, 1919, the effective date of the Commission's order was changed to March 1, 1919, the Postmaster General consenting.

† Tariff W. P. S. C. No. 2 of The Home Telephone and Telegraph Company of Spokane was suspended on February 20, 1919, for thirty days from February 26, 1919, the Postmaster General consenting.

WEST VIRGINIA.

Public Service Commission.

In re APPLICATION OF THE ROMNEY CONSOLIDATED TELEPHONE COMPANY AND THE CHESAPEAKE AND POTOMAC TELEPHONE COMPANY OF WEST VIRGINIA FOR AUTHORITY TO CHANGE TOLL RATES.

Case No. 716.

Decided February 20, 1919.

Increase in Toll Rates Authorized.

OPINION AND ORDER.

This day this cause came on to be finally heard upon the joint application and petition of the Romney Consolidated Telephone Company and The Chesapeake and Potomac Telephone Company of West Virginia, for authority to change certain telephone toll rates, in the said application and petition fully set forth; upon notice of said application, duly published and posted, as required by an order of this Commission, made herein on the third day of April, 1918; upon the petition and protest of David G. Martin and others; upon the petition and protest of James W. Carskadon and other; upon the protest of the Mineral County Farm Bureau; upon the petition and protest of D. A. Arnold and others; upon the informal protest of C. K. Wilson, Jr., F. L. Baker, Jacob E. Miller, and Homer D. Likens; upon the evidence taken and exhibits filed, both on behalf of the said petitioners and the said protestants, and upon the report of George E. Taylor, assistant engineer of this Commission, filed on the tenth day of July, 1918;

And, upon consideration of all whereof, it appearing to the Commission that said protests and objections to the change of rates proposed by said application and petition are directed chiefly to the faulty and defective service ren-

C. L. 88]

dered by said Romney Consolidated Telephone Company rather than to the increase in toll rates that would result from putting into effect the changes proposed by said application and petition;

And, it further appearing to the Commission that the said Romney Consolidated Telephone Company has, pursuant to the recommendation of the assistant engineer of this Commission and in accordance with the informal request heretofore made by the Commission, since the coming in of said report, greatly improved the character of the service rendered by it by replacing, repairing and improving its switchboards and trunk lines, and in other respects complying with the recommendation of the said assistant engineer;

And, it further appearing to the Commission that the tolls and charges now in effect are insufficient to pay the said Romney Consolidated Telephone Company a fair return upon the value of its plant and property devoted to the public service, after making due allowance for depreciation and the increased cost of operating expenses, and that the tolls and charges proposed to be put in effect by said application and petition, considering the improved service now being rendered and the further improvements now being made and contemplated, are just, fair and reasonable;

It is, therefore, ordered, That the said Romney Consolidated Telephone Company and The Chesapeake and Potomac Telephone Company of West Virginia be, and they are hereby, permitted to put into effect, charge, collect and receive joint rates, tolls and charges for telephone service not to exceed the following:

SCHEDULE A.

Keyser, West Virginia.

Burlington, West Virginia.....	\$0 10
Capon Bridge, West Virginia.....	25
Moorefield, West Virginia.....	25
Petersburg, West Virginia.....	25
Romney, West Virginia.....	15
Springfield, West Virginia.....	15

1530 WEST VIRGINIA PUBLIC SERVICE COMMISSION.

[W. Va.

Springfield, West Virginia.

Berkeley Springs, West Virginia.....	\$0 30
Blaine, West Virginia.....	25
Charles Town, West Virginia.....	35
Hedgesville, West Virginia.....	30
Inwood, West Virginia.....	30
Keyser, West Virginia.....	15
Martinsburg, West Virginia.....	30
Paw Paw, West Virginia.....	15
Piedmont, West Virginia.....	20
Shepherdstown, West Virginia.....	35
Tunnelton, West Virginia.....	50

Augusta, West Virginia.

Berkeley Springs, West Virginia.....	25
Blaine, West Virginia.....	25
Charles Town, West Virginia.....	35
Hedgesville, West Virginia.....	30
Inwood, West Virginia.....	30
Keyser, West Virginia.....	20
Martinsburg, West Virginia.....	30
Piedmont, West Virginia.....	25
Rowlesburg, West Virginia.....	45
Shepherdstown, West Virginia.....	35
Terra Alta, West Virginia.....	40

Levels, West Virginia.

Berkeley Springs, West Virginia.....	25
Durbin, West Virginia.....	1 45
Harpers Ferry, West Virginia.....	40
Hedgesville, West Virginia.....	25
Inwood, West Virginia.....	25
Keyser, West Virginia.....	20
Kingwood, West Virginia.....	45
Martinsburg, West Virginia.....	25
Shepherdstown, West Virginia.....	35

Rock Oak, West Virginia.

Berkeley Springs, West Virginia.....	35
Charles Town, West Virginia.....	40
Harpers Ferry, West Virginia.....	45
Hedgesville, West Virginia.....	40
Inwood, West Virginia.....	40
Keyser, West Virginia.....	25
Martinsburg, West Virginia.....	40

C. L. 88]

Paw Paw, West Virginia.....	25
Piedmont, West Virginia.....	25
Rowlesburg, West Virginia.....	40
Shepherdstown, West Virginia.....	45
Tunnelton, West Virginia.....	45

Slanesville, West Virginia.

Berkeley Springs, West Virginia.....	20
Blaine, West Virginia.....	30
Charles Town, West Virginia.....	30
Harpers Ferry, West Virginia.....	35
Hedgesville, West Virginia.....	25
Inwood, West Virginia.....	25
Keyser, West Virginia.....	25
Kingwood, West Virginia.....	45
Martinsburg, West Virginia.....	25
Piedmont, West Virginia.....	25
Rowlesburg, West Virginia.....	50
Shepherdstown, West Virginia.....	30
Terra Alta, West Virginia.....	45

Three Churches, West Virginia.

Berkeley Springs, West Virginia.....	30
Blaine, West Virginia.....	25
Charles Town, West Virginia.....	35
Hedgesville, West Virginia.....	30
Inwood, West Virginia.....	30
Keyser, West Virginia.....	20
Martinsburg, West Virginia.....	30
Paw Paw, West Virginia.....	15
Piedmont, West Virginia.....	20
Shepherdstown, West Virginia.....	35

The foregoing rates shall become effective from and after the first day of March, 1919, and continue until the further order of the Commission.

It is further ordered, That said Romney Consolidated Telephone Company and The Chesapeake and Potomac Telephone Company do file with the secretary of this Commission, on or before the first day of March, 1919, proper tariffs in accordance with the rates and charges hereby allowed.

February 20, 1919.

WISCONSIN.

Railroad Commission.

In re APPLICATION OF MENOMONEE FALLS TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

U-1032.

Decided February 12, 1919.

**Increase in Rates Authorized — Penalties for Delayed Payment Approved
— Establishment of Toll Rates in Lieu of Free Interchange
of Service Authorized.**

Applicant sought authority to increase its rates.

The Commission found that the applicant's estimate of reproduction cost, \$26,149, was a fairly correct estimate of the property's reproduction value, and would be used in estimating the amount of fixed charges to be borne by the applicant's subscribers; that considering applicant's plant as to physical condition, extensions of service and increases in traffic, the plant could not be operated for a less sum, considering increases in the cost of labor due to wage increases, than \$5,878; that \$3,430 should be allowed for depreciation and return on investment, and including taxes there would be total revenue requirements of approximately \$9,508.

Held: That in lieu of the present free interchange of service, applicant should charge a toll rate of 10 cents on each 3-minute message, with 5 cents for each additional 2 minutes or fraction thereof, between Menomonee Falls and its connecting exchanges, and on all such messages the exchange originating the call should retain 25 per cent. of the message revenue and the remainder should be divided between the companies owning the line over which the message was sent in proportion to the miles of wire owned by each;

That before placing the above toll charge in effect, the companies concerned in the ownership of toll lines involved should provide clear metallic circuits between exchanges and definitely decide upon the point where the ownership of one company ceased and that of the other commenced, and arrangements should also be made for the clearing of all toll revenue for specific periods of time. Upon the acceptance by the Commission of the arrangements for the clearing of toll revenues, the toll rates would become effective;

That from the new toll rates the revenues would be approximately \$450, and adding to this \$308.18 for commissions on long distance messages, there would be left \$8,750 to be met by local exchange revenues; and inasmuch as the proposed schedule would produce less revenues than the estimated expenses, it should be authorized in full, except for minor details not materially affecting the total revenues;

That the exchange rates should be payable quarterly in advance and should carry a penalty charge of 25 cents per month for not to exceed three months, such charge to be waived for prompt payment in accordance with the rules of the company. Failure to pay a bill within the quarter in which service was being given would render a subscriber liable to disconnection, and the regular reconnection charge should be made before service was restored;

That the practice of collecting a terminating charge on all long distance messages destined to applicant's subscribers, was unreasonable, and should cease on March 1, 1919, the effective date of the order.

OPINION AND DECISION.

The Menomonee Falls Telephone Company filed its application to increase rates with the Commission on May 15, 1918. The applicant is a duly organized corporation operating a telephone utility in and about the village of Menomonee Falls, Wisconsin. It sets forth in its application that its legal rates as now charged are as follows:

	<i>Per Month</i>
Main line business telephone.....	\$1 75
Party line business telephone.....	1 25
Main line residence telephone.....	1 50
Party line residence telephone.....	1 00
Rural line telephone.....	1 00

The company applies to the Commission for authority to increase these rates for the reason that the revenues under the present rates are not sufficient to pay operating expenses and allow for a reasonable return on the investment. The following rates are requested by the company:

	<i>Per Month</i>
Main line business.....	\$2 00
Two-party line business.....	1 75
Extension 'phone, talking only.....	60
Main line residence.....	1 50
Two-party line residence.....	1 35
Four-party line residence.....	1 25
Extension 'phones	50
Extension bells	25
Rural business	1 75
Rural residence	1 50
Rural main line (within 3½ miles radius of exchange).....	5 00
Desk sets for residence and rural subscribers, extra.....	25

All rates payable quarterly in advance, with a billing penalty of 25 cents per month, same to be deducted for payments on or before the fifteenth day of the second month of the quarter in which service is given.
Reconnecting charge \$1 00

Toll rates:

Between Menomonee Falls and Sussex.....	10
Between Menomonee Falls and Hubertus.....	10
Between Menomonee Falls and Freistadt.....	10

A hearing was held pursuant to notice July 19, 1918, at Madison, Wisconsin. The following appearances were entered:

J. A. Pratt and *C. W. Fraser* for the Menomonee Falls Telephone Company; *A. C. Brandt* and *W. H. Edwards* for the Lisbon Telephone Company; *John A. Schwalbach* and *Henry Suelflow* on behalf of the Ozaukee-Washington Telephone Company.

The applicant's exchange is located in the village of Menomonee Falls. Its switchboard is of the magneto type and has a capacity of 100 lines, 96 of which are equipped and assigned to service. Long distance connections are had over three trunks connected with the Milwaukee office of the Wisconsin Telephone Company. Local toll connections are had over single trunks with each of the following adjacent exchanges: Freistadt of the Ozaukee-Washington Telephone Company; Sussex of the Lisbon Telephone Company, and Hubertus of the Hubertus Telephone Company. The

In re APPLICATION OF MENOMONEE FALLS TEL. Co. 1535
C. L. 88]

service over these local toll lines is free and unlimited with the exception of the trunk to Friestadt, where a 10-cent charge is made on messages in one direction and 5 cents on those in the reverse direction.

We set forth in TABLES I. and II. below data relating to the distribution of lines and subscribers at the applicant's exchange.

TABLE NO. I.
LINE AND POLE DATA.

	<i>Local</i>	<i>Rural</i>	<i>Toll</i>
Number of lines	59	33	4
Miles of poles	5	73.25	*
Miles of wire	83	350	†

*Joint with rural leads.

† Not reported.

TABLE NO. II.
SUBSCRIBER DATA.

	<i>Business</i>				<i>Residence</i>				<i>Rural</i>	<i>Total Subscribers</i>
	<i>One-party</i>	<i>Two-party</i>	<i>More Than Two-party</i>	<i>Total</i>	<i>One-party</i>	<i>Two-party</i>	<i>More Than Two-party</i>	<i>Total</i>		
Number of subscribers.	16	18	45	79	2	8	62	72	305	456

PROPERTY.

The applicant has submitted a detail of the property used in giving service to its subscribers. The final summary of the estimate of the value of this property appears in the following table:

TABLE NO. III.

FINAL SUMMARY OF VALUATION.

	<i>Reproduction Cost</i>		
	<i>Local</i>	<i>Rural</i>	<i>Total</i>
A. Land			
B. Distribution system	\$3,886	\$16,537	\$20,423
C. Buildings and miscellaneous structures			
D. Exchange equipment	525	525	1,050
E. Miscellaneous equipment	200	200	400
TOTAL	\$4,611	\$17,262	\$21,873
15 per cent. added (see note below)	692	2,589	3,281
TOTAL	\$5,303	\$19,851	\$25,154
H. Materials and supplies	995		995
	\$6,298	\$19,851	\$26,149

NOTE: Addition of 15 per cent. to cover engineering, superintendence, omissions, interest during construction, etc.

The above total value represents an average cost of \$54.25 per telephone. While this unit is higher than the average obtained from several valuations of similar plants made by the Commission, it is not a maximum, and it no doubt represents a fairly correct estimate of the property's reproduction value. It will be used, therefore, in estimating the amount of the fixed charges to be borne by the applicant's subscribers.

The company's financial condition as of December 31, 1917, is set forth in the following copy of its balance sheet.

TABLE NO. IV.

BALANCE SHEET.

<i>Assets</i>		<i>Liabilities</i>	
Cost of plant	\$21,381 50	Capital stock	\$15,000 00
Cash on hand	2,447 87	Depreciation reserve	2,986 43
Accounts receivable	1,295 75	Notes payable	5,200 00
Materials and supplies	1,092 83	Accounts payable	2,436 23
		Accrued liabilities	491 69
		Surplus	103 60
	<hr/>		<hr/>
	\$26,217 95		\$26,217 95

INCOME ACCOUNTS.

The revenues and expenses of the applicant for the years 1913 to 1917 inclusive are reproduced in TABLE No. V.

TABLE NO. V.
INCOME ACCOUNTS.

	Period Ending June 30, 1913	18 Months Ended December 31, 1914	Period Ending		
			December 31, 1915	December 31, 1916	December 31, 1917
<i>Operating Revenues:</i>					
Subscriber telephone earnings.....	\$5,519 20	\$8,393 25	\$5,324 05	\$5,681 85	\$5,782 73
Earnings from local toll.....	427 85	342 60	315 82		634 85
Long distance commissions.....		341 65	256 42	642 19	308 18
TOTAL REVENUES.....	\$5,947 05	\$9,077 50	\$5,896 29	\$6,324 04	\$6,725 76
<i>Operating Expenses:</i>					
Central office.....	\$837 08	\$1,323 03	\$951 50	\$1,210 95	\$1,228 37
Wire plant.....	817 20	1,128 18	426 43	628 20	834 60
Substation.....	656 50	921 84	659 03	724 17	374 08
Commercial.....	239 00	423 17	340 60	390 00	860 60
General.....	660 00	1,076 93	630 41	1,225 24	1,213 90
Undistributed.....	123 36	191 73	141 98	88 71	826 65
TOTAL ABOVE.....	\$3,333 14	\$5,064 88	\$3,149 95	\$4,267 27	\$5,338 20
Depreciation.....	1,000 00	1,663 46	1,644 14	1,253 04	1,267 12
Taxes.....	149 94	169 94	173 42	203 04	176 69
TOTAL OPERATING EXPENSES...	\$4,483 08	\$6,898 28	\$4,967 51	\$5,723 35	\$6,782 01
Net operating revenue or deficit.....	\$1,463 97	\$2,179 22	\$928 78	\$600 69	*\$56 25
Operating expenses (excluding depreciation and taxes), per telephone, per year.....	7.96	7.70	7.05	9.65	11.62

* Deficit.

The increase in the cost of operation per telephone for the last two years' operation is due to an increase in the amount and cost of labor at the applicant's exchange. We note that the payroll for the year ending December 31, 1915, was \$2,258.90; for 1916, \$3,271.72; and for 1917, \$4,139.23. The increases represented in these amounts are equivalent to an increase per telephone of \$2.28 for 1916 and \$1.90 for 1917; or the increase in the cost of labor for the two years is \$4.18 per telephone as compared with the total unit increase of \$4.57, leaving 39 cents to offset the increase in the cost of materials. This amount would be readily absorbed in the increased cost of batteries alone.

Information at hand shows that the costs of operation for 1918 will exceed those of 1917. It may be, however, that the expense of 1918 is somewhat abnormal due to existing conditions; but after carefully considering the applicant's plant as to physical condition, extensions of service, and increases in traffic, we do not believe that the

plant can be operated for a less sum than that represented in the expenses for the year ending December 31, 1917, plus such increases in the costs of labor as are due to wage increases granted during the last six months of 1918. This consideration will give a total of approximately \$5,878 for operating expenses.

Interest and depreciation will in our opinion require about \$3,430 per year. This amount is computed on the reproduction cost of the property as it appears in the tabulation in TABLE No. III. Provision for taxes will bring the total revenue requirements to approximately \$9,508.

Heretofore practically all local tolls have been upon a free connection basis or such other basis as yielded little or no revenues to the connecting companies. This free service has resulted in a congestion of traffic on the local connecting lines and has required a large amount of labor on the part of the companies for which they have received no compensation. It is the desire of the applicant and its connecting companies that this condition be corrected and that such tolls be established for local toll messages as will at least partially compensate the companies for their investments and labors.

After duly considering the matter, we are of the opinion that a 10-cent charge on each 3-minute message, with 5 cents for each additional 2 minutes or fraction thereof, between Menomonee Falls and its connecting exchanges will be reasonable. On all such messages the exchange originating the call should retain 25 per cent. of the message revenue, and the remainder should be divided between the companies owning the line over which the message is sent in proportion to the miles of wire owned by each.

Before placing any such charge in effect, however, the companies concerned in the ownership of the toll lines involved should provide clear metallic circuits between exchanges and definitely decide upon the point where the ownership of one company ceases and that of the other commences. Arrangements should also be made for the clear-

ing of all toll revenues for specific periods of time. These arrangements should be duly reported to the Commission and, upon the acceptance of them by the Commission, the toll rates may become effective.

In considering the revenues necessary to meet the expenses of the applicant's plant, we have taken into consideration an estimate of the revenues that should arise from the administration of local toll charges. This amount we place at \$450 annually. The commissions on long distance messages are reported for 1917 as \$308.18, making the total estimated toll earnings \$758.18, and leaving \$8,750 to be met by local exchange revenues.

The practice of collecting a terminating charge on all long distance messages destined to the applicant's subscribers is in our opinion unreasonable, and should cease with the effective date of this order. This matter has been dwelt upon in other decisions of the Commission and reasons given for denying its continuance. See 16 W. R. C. R. 819-826, *In re Application of the Elroy Telephone Company**, long distance service.

The schedule of rates, as requested by the applicant, applied to present list of subscribers, will produce the following revenues:

<i>Class of Service</i>	<i>Number of</i>	<i>Annual</i>	<i>Annual</i>
<i>Business:</i>	<i>Subscribers</i>	<i>Rate</i>	<i>Estimated</i>
One-party	16	\$24 00	\$384 00
Two-party	18	21 00	1,323 00
More than two-party.....	45	.....	.....
<i>Residence:</i>			
One-party	2	18 00	36 00
Two-party	8	16 20	129 60
Four-party	62	15 00	930 00
Rural	305	18 00	5,490 00
			<hr/>
			\$8,292 60

Inasmuch as the proposed schedule produces less revenues than the estimated expenses, it will be authorized in

* See Commission Leaflet No. 49, p. 450.

full, excepting for minor details which do not materially affect the toll revenues.

It is, therefore, ordered, That the applicant, the Menomonee Falls Telephone Company, be, and the same hereby is, authorized to discontinue its present schedule of rates and to substitute therefor the following rates and charges:

Exchange Rates

	<i>Net Per Month</i>
Business:	
One-party	\$2 00
Two-party	1 75
Extension	60
Residence:	
One-party	1 50
Two-party	1 35
Four-party	1 25
Extension 'phones	50
Extension bells.....	25
Rural business.....	1 75
Rural residence.....	1 50

Desk sets on residence or rural lines 10 cents extra per month.
Rural private line business, part time service, \$5.00 net per month.
Reconnecting charge, \$1.00.

Toll Rates:

Between Menomonee Falls and Sussex.....	\$0 10
Between Menomonee Falls and Hubertus	10
Between Menomonee Falls and Freistadt.....	10

Toll connections to be established, revenues collected therefrom, and adjustments made as provided for in the body of this decision.

It is further ordered, That rates shall be payable quarterly in advance, and all exchange rates shall carry a penalty charge of 25 cents per month for not to exceed three months, such charge to be waived for prompt payments in accordance with the rules of the company. Failure to pay a bill within the quarter in which service is being

C. L. 88]

given renders a subscriber liable to disconnection, and the regular reconnection charge shall be made before service is restored.

Rates shall be effective March 1, 1919, excepting as otherwise provided in the body of this decision.

Dated at Madison, Wisconsin, this twelfth day of February, 1919.

In re APPLICATION OF LA FARGE TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1036.

Decided February 20, 1919.

**Increase in Business, Residence and Rural Rates Authorized — Discount
for Prompt Payment Approved.**

Applicant sought authority to increase its rates for service in and around La Farge where it was charging a rate of \$1.00 per telephone, per month, for all classes of service.

The book value of the plant, as corrected by the Commission, was \$16,679.54 and the actual expenses for the first nine months of 1918 were \$2,782.69 while the revenues were \$3,955.49, leaving available \$1,172.80 for reserve for depreciation and return on investment which was at the rate of \$1,563.73, or 9.4 per cent. of the book value, per year; that for the year ending September 30, 1918, the amount available for reserve for depreciation and return on investment had been but 9.73 per cent.

Held: That the schedule of rates prescribed by the Commission classifying rates according to service into business, residence and rural and into individual line and party line rates, would be fair and reasonable, although the increases were not as high as asked for by the company, since it would provide such additional revenue as would be necessary in this case;

That a discount of 25 cents per month for prompt payment should be authorized.

OPINION AND DECISION.

This application was filed with the Commission November 12, 1918. The applicant operates a telephone utility furnishing local and rural service in and around La Farge, Wisconsin, at a rate of \$1.00 per telephone, per month, for all classes of service. The application sets forth that

the present rates are inadequate to provide for the depreciation of the property and yield a reasonable return on the investment, and authority is asked to discontinue the present schedule and to substitute the following:

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
Business telephones.....	\$1 75	\$1 50
Residence telephones.....	1 50	1 25

the difference between the gross and net rates to constitute a discount for payment of bills during the current month.

Rural subscribers on existing lines, \$4.50 per quarter with discounts as follows — for payment during the first month of the quarter, 75 cents; for payment during the second month, 50 cents; for payment during the third month, 25 cents; the gross rates to become net if bills are not paid by the end of the quarter.

Extension telephones.....	\$0 50 per month
Extension bells.....	25 per month

In connection with the application the company filed with the Commission an exhibit setting forth the results of operation for the first nine months of 1918, together with the condition of the company at the beginning and at the end of that period. We also have available the report of the company for the calendar year 1918. Following is a summary of revenues and expenses as reported for the nine months ended September 30, 1918, and for the calendar year, together with a statement for the last three months of the year, which is the difference between the figures for the other two periods.

APPLICATION OF LA FARGE TELEPHONE COMPANY. 1543

C. L. 88]

	<i>Nine Months Ended September 30, 1918</i>	<i>Year Ended December 31, 1918</i>	<i>Three Months Ended December 31, 1918</i>
<i>Operating Revenues:</i>			
Exchange telephone earnings..	\$3,650 90	\$4,677 61	\$1,026 71
Earnings from connecting lines	304 59	416 96	112 37
TOTAL OPERATING REVENUES	\$3,955 49	\$5,094 57	\$1,139 08
<i>Operating Expenses:</i>			
Central office.....	\$717 08	\$1,129 72	\$412 64
Wire plant.....	900 40	1,079 93	179 53
Substation	947 10	1,139 70	192 60
General	23 31	26 31	3 00
Undistributed	289 08	451 00	161 92
TOTAL OF ABOVE.....	\$2,876 97	\$3,826 66	\$949 69
Taxes	122 91	156 20	33 29
OPERATING EXPENSES BEFORE DEPRECIATION	\$2,999 88	\$3,982 86	\$982 93

There are apparently some errors in the figures as reported and it is not practicable to correct these errors entirely. However, we believe that the correction can be rather closely approximated and should be made before the reported figures are given consideration as indicating the need for more revenue.

The exchange telephone earnings do not correspond with what the earnings should be based upon the number of telephones reported in use. As of December 31, 1917, the company reported a total of 408 telephones, none of which were reported as extensions. At the time of the hearing the number of telephones was apparently 420, and at December 31, 1918, the report for the year 1918 indicated a total of 415 telephones. It appears, therefore, that the average for the year was not less than 411 or 412 telephones. Using the average of the installations at the beginning and end of the last year the revenue from exchange service would have been approximately \$4,938,

which is about \$260 above the revenue reported. This discrepancy is not explained in the record and apparently is not to be explained on the ground of any confusion between revenues and cash receipts, since the distinction to be made appears to have been clearly in the mind of the company's officials.

The additions to property and plant as reported have been as follows:

	<i>Nine Months Ended September 30, 1918</i>	<i>Year Ended December 31, 1918</i>
Central office equipment.....		\$50 00
Wire plant construction and equipment....	\$161 86	189 91
Subscribers' station equipment.....	163 92	212 77
Miscellaneous equipment	15 00	21 00
TOTAL	\$340 78	\$473 68

These additions do not include charges for labor, all of which expenditures appear to have been charged to the operating accounts. In order to correctly determine the operating results for the year, therefore, we must estimate as nearly as we can the amount of the charges for labor erroneously made to the operating accounts. Aside from labor charges it is probable that some of the expense of maintaining utility equipment should have been charged to construction. We have no record of just what the conditions were under which the construction work of the past year was carried on, but we believe that no injustice will be done if we assume that the charges for labor and for the use of utility equipment would aggregate 40 per cent. of the total cost of wire plant and substation construction work. This would amount for the nine months ended September 30 to \$217.19, and for the year to \$268.45.

The revenues as reported for the nine months ended September 30 appear to be substantially correct. The expenses as shown in the table which we have included above, amounting in all to \$2,999.88, are in excess of the

C. L. 88]

true expenses by about \$217.19. In other words, the actual expenses for the first nine months of the year, as nearly as we can determine them, were \$2,782.69. With revenues of \$3,955.49, this would leave \$1,172.80 available for interest and depreciation, which is at the rate of \$1,563.73 per year.

The cost of plant as shown by the company's balance sheet of September 30, 1918, amounted to \$16,462.35. In order to show correctly the cost of the plant as of that date, we should add to the amount shown above the amount which we have excluded from operating expenses on account of labor and utility equipment charges for construction, or \$217.19, making the cost of plant \$16,679.54. With \$1,172.80 for interest and depreciation during the nine months ended September 30, 1918, the amount available on a yearly basis would have been just a little less than 9.4 per cent. of the book value for interest and depreciation. If 14 per cent. were to be provided for interest and depreciation the amount available would have to be \$2,335.14, or \$771.41 above the amount obtained by prorating the nine months' revenues and expenses to a yearly basis.

The difference between the figures reported for the nine months ended September 30 and for the calendar year does not indicate that there was any marked increase in the rate of expenses during the latter part of 1918. It is true that certain expenditures for the three months appear to be considerably more than one-fourth of the total for the year, but we believe that this is due to the method of handling these accounts on the books rather than to actual increases in expenses. Consequently, it would seem to be fair to reach our conclusion by an analysis of the results reported for the nine months ended September 30, 1918, and for the calendar year, making the adjustments for revenues and expenses which have been mentioned above.

For the year ended December 31 the revenues as reported amounted to \$5,094.57. Of this, exchange earnings amounted to \$4,677.61. If we were to assume, however,

that the average number of subscribers was the average of the numbers at the beginning and end of the year, the exchange revenues would have amounted to \$4,938. In view of the fact that the company reported 420 telephones during the fall of 1918 it does not seem that use of the average which amounts to 411½ is unfair to the company as a basis for estimating revenues. It appears, therefore, that the revenues with which we should deal in determining the company's need of increased revenues are as follows:

Exchange telephone earnings.....	\$4,938 00
Exchange from connecting lines.....	416 96
	<hr/>
TOTAL	\$5,354 96

With expenses as reported for the calendar year, except for the adjustment as between operating expenses and construction which has already been mentioned, the total expenses before depreciation amounted to \$3,714.41. With revenues as outlined above the amount available for interest and depreciation would have been \$1,640.55. The property and plant value as reported for the end of the year was \$16,595.25, to which should be added \$268.45 for labor and utility equipment expense, making a total of \$16,863.70. The amount available for interest and depreciation on such a basis is about 9.73 per cent. of the value of the property. Fourteen per cent. upon the book value of the property for interest and depreciation would amount to \$2,360.92, or \$720.37 more than the amount available.

It may be of interest further to deal briefly with the question of unit revenues and expenses. The average number of telephones in service for the year was 411½. The operating expenses per telephone, after excluding what should have been charged to construction, were \$9.02 before depreciation. The operating expenses for the first nine months of the year were \$6.76 per telephone, or at the rate of \$9.01 per year. The operating expenses for the last three months of the year were at the rate of \$9.06 per

C. L. 88]

telephone, per year. However, the average number of telephones in service for the last three months appears to have been $417\frac{1}{2}$, and using this number the operating expenses for the three months were at the rate of \$8.92 per telephone, per year. For practical purposes the operating expenses may be stated at \$9.00 per telephone, per year.

During the year ended December 31, 1918, the revenue from sources other than subscriber telephone earnings amounted to \$416.96, or about \$1.01 per telephone. Exchange rates were \$12.00 per year for all classes of service, so that the average revenue per telephone which it may be fair to expect with existing rates is \$13.01 per year. Using \$13.00 per year as the unit revenue to be anticipated from existing rate schedules and \$9.00 per year as the unit expense, \$4.00 per telephone, per year, would be available for interest and depreciation. The valuation of the property at the end of the year as outlined above was \$16,863.70, and the number of telephones at the end of the year was 415, so that the valuation per telephone amounted to \$40.63. Fourteen per cent. of this for interest and depreciation would be \$5.69 per year as against \$4.00 actually available. The additional revenue required, therefore, on this basis amounts to \$1.69 per telephone, per year, or, on the basis of the number of telephones in use December 31, 1918, to \$701.35. The increase in revenues as asked by the company with the number of subscribers as to the end of the year 1918 would amount to \$1,362 per year. However, after the hearing the owner of the company expressed the opinion that the rate for residence and business telephones should be the same. This would make a difference of \$1.17 in the amount of revenue to be added by the proposed changes. We see no reason why the same rate should be established for residence and business telephones since, considered as classes, their use of a telephone is markedly different and the same rate will not be authorized by this decision.

In what has been said above we have outlined the need

for increased revenues as indicated by the figures. In the expenses as reported no leeway is provided for injuries and damages or other contingencies and some consideration should be given to this fact.

From a review of all the circumstances of the case we believe that a schedule of rates as provided by the order in this case will be fair and reasonable. This schedule is not as high as asked for by the company, but it will provide such additional revenue as appears to be necessary from the facts as shown in this case.

It is, therefore, ordered, That the applicant, the La Farge Telephone Company, be, and the same hereby is, authorized to discontinue its present schedule of exchange rates and to substitute therefor the following schedule:

Business telephones, single party.....	\$1 40 per month
Business, two- or more party.....	1 25 per month
Residence, one-party	1 25 per month
Residence, two- or more party.....	1 10 per month
Rural	3 60 per quarter
Extension telephones	50 per month
Extension bells	25 per month

For all classes of service for which rates are quoted on a monthly basis, with the exception of extension telephones and extension bells, a gross rate of 20 cents per month in excess of the net rate provided above shall be applicable if bills are not paid during the month in which the service is rendered.

For rural service bills shall be rendered quarterly at a gross rate of \$4.35 per quarter. If bills are paid during the first month of the quarter in which the service is rendered there shall be a discount of 75 cents; if they are paid during the second month, a discount of 25 cents. Where bills for rural service are not paid during the quarter in which the service is rendered, the gross rate shall apply after the end of the quarter.

Discount and penalty provisions shall be clearly stated on all bills rendered.

Dated at Madison, Wisconsin, this twentieth day of February, 1919.

In re APPLICATION OF EAGLE RIVER TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1038.

Decided February 25, 1919.

Increase in Business, Residence and Rural Rates Authorized — Allowance of 7½ Per Cent. Made for Reserve for Depreciation.

Applicant sought authority to increase its rates at Eagle River.

The Commission found that, making an allowance of \$2,700 per year for operating expenses, allowing 7½ per cent. on the book value of \$14,373.51 for reserve for depreciation, allowing \$135 for taxes and making an adequate allowance for return on investment, the total expenses of the company would be \$5,035; that as the toll revenue was \$1,656.75 there would be left to be made up by local exchange revenues, estimated expenses of \$3,378.25.

Held: That the schedule of rates prescribed by the Commission should be put in effect, for while they would yield revenues considerably in excess of the requirements as estimated, there were certain increases in operating expenses not included in the computations and, furthermore, there was a possibility that the applicant's toll revenues would be considerably reduced due to recent orders of the Postmaster General;

That the rural rates fixed by the Commission should apply to all subscribers of rural service where the extension to the subscriber from the main line did not exceed one-half a mile; in other cases an excess mileage or extension charge should be made;

That all installations should be made upon the basis of one year's rental and if telephones were installed for a shorter period or a cancellation of service was made the regular monthly rental for the period used should apply plus 50 per cent. of the rental for the unexpired part of the year, provided that this rule should not apply to a subscriber who had been a regular subscriber of the company for one year or more or to installations paid for at the regular yearly rate.

OPINION AND DECISION.

The application of the Eagle River Telephone Company (not a corporation) was filed with the Commission July 17, 1918, and after due notice a hearing was held at Madison, Wisconsin, August 13, 1918. *W. H. Radcliffe*, manager and owner, appeared for the Eagle River Telephone Company. There were no appearances in opposition.

The applicant operates an exchange at Eagle River, Wisconsin, and gives telephone service to local and rural sub-

scribers. Many of the lines classed as rural are lines serving the summer resorts in the territory tributary to Eagle River. Due to the particular requirements of many of these resorts and because the rural territory is but slightly developed, and consequently but sparsely populated, the rural lines have a very low saturation and a corresponding high cost of operation.

The rates now charged by the applicant are as follows:

	<i>Per Year</i>
Business	\$18 00
Business, six-month period.	12 00
Residence	15 00
Extension telephones	6 00
Extensions bells	1 80
Rural telephones, grounded or metallic lines.	15 00
Excepting rural service on toll lines, where the rate is.	12 00
Switching charge, (private lines) minimum.	12 00
Summer resorts:	

Depends upon the length of the line and the number of parties per line. The rate varies from \$18.00 to \$106 per year.

The applicant alleges that the revenues arising from the application of these rates are insufficient to meet the legitimate expenses connected with the operation of the exchange and authority is asked to place in effect such rates as the Commission may find are warranted from an analysis of the costs.

The following rates were suggested by the applicant at the time of the hearing:

	<i>Per Month</i>
Business, one-party	\$2 25
Business, party service.	2 00
Residence, one-party	1 50
Residence, party service.	1 25

Increases of certain summer resort lines and farmer lines amounting to from \$3.00 for farm lines to \$5.00 to \$20.00 for resort lines were also suggested.

In addition to the exchange at Eagle River the applicant operates a small wall board at Robbins and toll lines to

APPLICATION OF EAGLE RIVER TELEPHONE COMPANY. 1551

C. L. 88]

Rhineland, 26 miles, to Three Lakes, 12 miles, and to Phelps, 21 miles. The physical data of the applicant's plant which are useful in determining rates are set forth in the following table:

TABLE I.
PHYSICAL DATA — SWITCHBOARD AND LINES.

Exchange	Capacity Switch Board Drops	Number of Lines in Use	Number of Subscribers			Miles of Poles		Miles of Wire		
			Business	Residence	Rural	Local	Rural	Local	Rural	Toll
Eagle River.....	200	131	53	77	63	3.25	31	33.5	114.2	22.5
Robbins.....	10	2	2	4	....	1.5	....	13	....	80.0

With reference to the investment in the above system we have the cost of plant and equipment as reported in the last annual report to the Commission. The specific items appear in the following table:

TABLE II.
COST OF PLANT AND EQUIPMENT. December 31,
1917

Organisation, rights and licenses.....	\$27 00
Buildings, fixtures and grounds.....	1,062 50
Central office equipment.....	992 22
Wire plant construction and equipment.....	8,121 18
Subscribers' station equipment.....	3,546 39
General office equipment.....	57 82
Storeroom equipment.....	27 25
Tools, testing and miscellaneous equipment.....	539 15
TOTAL COST OF PLANT AND EQUIPMENT.....	\$14,373 51

The above total amounts to \$72.50 per telephone. This item includes not only the investment in the local exchange equipment, but also that of the toll system. We estimate, from data submitted by the applicant, that the investment in toll equipment is about \$20.00 per telephone, leaving \$52.50 as the unit investment in local exchange equipment. We do not consider this amount unreasonable where the character of the territory served is such as that tributary to Eagle River. The balance sheet setting forth the

financial condition of the plant as of December 31, 1917, is reproduced in TABLE III.

TABLE III.

BALANCE SHEET, DECEMBER 31, 1918.

<i>Assets</i>		<i>Liabilities</i>	
Cost of plant.....	\$14,373 51	Proprietary interest.....	\$11,603 83
Cash on hand.....	231 32	Funded debt.....	900 00
Accounts receivable.....	245 35	Depreciation reserve.....	1,331 33
Materials and supplies.....	351 20	Notes and bills payable...	600 00
		Accounts payable.....	30 31
		Accrued liabilities.....	117 11
		Surplus.....	618 80
TOTAL ASSETS.....	\$15,201 38	TOTAL LIABILITIES...	\$15,201 38

INCOME.

The income statements as they appear in the applicant's annual reports for the years 1915, 1916 and 1917, are reproduced in TABLE IV.

TABLE IV.

INCOME ACCOUNTS.

	<i>Year Ending December 31,</i>		
	<i>1915</i>	<i>1916</i>	<i>1917</i>
<i>Operating Revenues:</i>			
Subscriber telephone earnings.....			\$2,975 05
Switching service earnings.....			52 75
Toll line earnings, local.....			1,585 84
Long distance commissions.....			70 91
TOTAL REVENUES.....	\$3,843 07	\$4,285 54	\$4,684 55
<i>Operating Expenses:</i>			
Central office.....			\$1,231 46
Wire plant.....			401 49
Substation.....			295 82
Commercial.....			581 02
General.....			10 96
Undistributed.....			67 67
TOTAL OF ABOVE ITEMS.....	\$1,879 83	\$2,541 20	\$2,588 42
Depreciation.....		215 52	1,257 16
Contingencies.....			
Taxes.....		107 14	117 11
TOTAL OPERATING EXPENSES.....	\$1,879 83	\$2,863 86	\$3,962 69
Net operating revenue.....	\$1,963 24	\$1,421 68	\$721 86
Non-operating revenue.....			8 94
GROSS INCOME.....	\$1,963 24	\$1,421 68	\$730 80

It will be seen that for only one year have operating revenues and expenses been so reported that any definite conclusions can be drawn. Unit revenues and expenses for the year 1917 computed upon the basis of the total main telephones in use are as follows:

Revenues — exchange only, \$15.00; total, \$23.50.

Expenses — (exclusive of depreciation, interest and taxes), \$13.00 per 'phone.

The unit expense is high when compared with other plants of the size of the Eagle River system. Special consideration must be given, however, to this particular plant. As we have already pointed out, the rural territory about Eagle River is but sparsely settled and the saturation of business is very low, which naturally adds to the unit maintenance per telephone. This fact together with the difficulties attending the operation of a wire plant in a heavily wooded section where troubles from falling trees and fires are frequent, justifies a considerable increase over the average for operating expenses.

We believe, therefore, than an allowance of \$2,700 per year for the operation of the Eagle River telephone exchange is not unreasonable.

In determining the requirements for interest and depreciation, we have made a somewhat greater provision for depreciation than would be required for exchanges more favorably situated. The contingent element is, for reasons already stated, more pronounced than in some parts of the State and justifies, in our opinion, a higher depreciation allowance. The computation has, therefore, been based upon a percentage allowance of $7\frac{1}{2}$ per cent. on the book value. This charge, together with an adequate interest return, we place at \$2,300 annually. Taxes are estimated at \$135 per year. Summarizing the charges which must be met by revenues, we have:

	<i>Annually</i>
Operating expenses	\$2,700
Interest and depreciation.....	2,300
Taxes	135
TOTAL CHARGES	\$5,035*

In determining the exchange revenues necessary to meet the above expenses we have first to deduct the amount realized from local and long distance tolls. In the year ending December 31, 1917, these amounted to \$1,656.75. Deducting this from the estimated expenses we have left to be met by local exchange revenues the sum of \$3,378.25. We are of the opinion that the following schedule will meet the requirements of this amount, plus certain increases in operators' salaries granted during the present year.

<i>Class of Service</i>	<i>Number of Subscribers</i>	<i>Monthly Rate</i>		<i>Estimated Yearly Revenues</i>
		<i>Gross</i>	<i>Net</i>	
Business, one-party	41	\$2 25	\$2 00	\$984 00
Business, two-party	8	2 00	1 75	168 00
Business, extension				
Residence, one-party	55	2 00	1 75	1,155 00
Residence, two-party	21	1 75	1 50	378 00
Residence, extension				
TOTAL LOCAL.....	125			2,685 00
Rural, metallic business		2 00	1 75	
Rural, metallic residence	12	1 75	1 50	216 00
Rural, grounded business	1	1 75	1 50	18 00
Rural, grounded residence	36	1 50	1 25	540 00
				\$3,459 00
Estimated income from switching service.....				52 75
Estimated income from summer resorts				300 00
				\$3,811 75

Summer resorts — special rates based on costs.

While the above schedule will yield revenues considerably in excess of the requirements as estimated, there are

* A slight error is apparent.

C. L. 88]

as already mentioned, certain increases in operating expenses not included.

There is also a possibility that the applicant's toll revenues will be considerably reduced due to recent orders of the Postmaster General. We do not believe therefore that the above schedule will yield revenues unreasonably excessive, or greater than the true operating demands of the exchange.

The rural rates as herein stated should apply to all subscribers of the rural service where the extension to the subscriber from the main line does not exceed one-half mile. The order will provide for distances in excess of one-half mile.

Rates to summer resorts are in many instances applicable to special construction and must be based upon actual costs. The Commission has computed the costs of service for two of the applicant's resort subscribers and holds itself in readiness to compute a rate for others upon receipt of the necessary data. The resort rates will therefore remain open and at the present rate, the Commission retaining jurisdiction to amend any such rate not already established without further hearing.

It is, therefore, ordered, That the applicant, the Eagle River Telephone Company, be, and the same hereby is, authorized to amend its present schedule of rates and to substitute therefor the following rates and charges:

<i>Class of Service</i>	<i>Rates per Month</i>	
	<i>Gross</i>	<i>Net</i>
Business, one-party	\$2 25	\$2 00
Business, two-party	2 00	1 75
Business, extension	60	60
Residence, one-party	2 00	1 75
Residence, two-party	1 75	1 50
Residence, extension	50	50
Rural, metallic business.....	2 00	1 75
Rural, metallic residence.....	1 75	1 50
Rural, grounded business.....	1 75	1 50
Rural, grounded residence.....	1 50	1 25

Summer Resorts:

Everett resort \$106 00 per year
 Hemlock resort 76 00 per year
 Other resorts, rates to be fixed by the Commission upon presentation of necessary cost data, and without further hearing.

All bills are payable in advance and will carry the gross rate. If payment is made on or before the fifteenth day of the month in which service is given, the net rate will apply.

Short Time Service:

All installations shall be made upon the basis of one year's rental. If telephones are installed for a shorter period, or a cancellation of service is made, the regular monthly rental for the period used shall apply, plus 50 per cent. of the rental for the unexpired part of one year, providing that this rule shall not apply to a subscriber who has been a regular subscriber of the company for one year or more, or to installations paid for at a regular yearly rate.

Extensions:

On extensions made on new lines built to rural subscribers, where the distance per subscriber is in excess of one-half mile, the following charges in addition to the regular rates shall apply to the excess extension:

Grounded service, per one-quarter mile or fraction thereof..	\$3 40
Metallic service, per one-quarter mile or fraction thereof....	4 00

Above rates may be made effective March 1, 1919.

Dated at Madison, Wisconsin, this twenty-fifth day of February, 1919.

In re ALLEGED REFUSAL OF LIME RIDGE AND ITHACA TELEPHONE COMPANY TO EXTEND SERVICE TO ROBERT LOCK.

U-1043.

Decided February 26, 1919.

Extension of Service Ordered.

OPINION AND DECISION.

Informal complaint having been made to the Commission that the Lime Ridge and Ithaca Telephone Company has refused to extend its service to Robert Lock, a former subscriber of the company, a hearing on motion of the Com-

L. 88]

mission was duly ordered and held at Richland Center on February 19, 1919. *Lincoln and Brewer* by *F. L. Brewer* appeared for Mr. Lock and *P. Nelson* for the Lime Ridge and Ithaca Telephone Company.

Mr. Lock has been a subscriber of the company for more than ten years. On September 22, 1918, his service was discontinued. The discontinuance of service resulted from a demand made upon the company by Mr. Lock for the removal of the telephone line from which he was served from his fields. This demand was complied with by the company. In order to reach Mr. Lock's residence by a line on a public highway it is necessary to build a new line about three-fourths of a mile in length. The company is willing to build this line on condition that Mr. Lock will furnish the three poles necessary to run the line from the public highway to his house. This Mr. Lock has declined to do.

The company maintains that its established rule is that any new customer shall furnish and maintain the poles necessary to run a line from the main line on the public highway to his residence. However, no such rule has been filed with the Commission and there is conflicting testimony as to whether this rule has been uniformly applied in the past.

The Commission has provided in its rules for telephone service that

"Each utility shall maintain in proper condition the lines, instruments and other equipment used on its system." (15 W. R. C. R. 1.)

In order that a telephone company may have free scope in performing this duty of maintenance, it is desirable that it should own all of the lines and equipment. For handling extensions of unusual length a utility is justified in establishing a general rule, subject to the approval of the Commission, providing for participation by the prospective subscribers in the cost of construction, but in such case the ownership of the line should be vested in the utility.

The rule which the company has attempted to enforce in Mr. Lock's case does not appear to be reasonable and we are of the opinion that his service should be restored.

It is, therefore, ordered, That the Lime Ridge and Ithaca Telephone Company extend its telephone service to Robert Lock. Thirty days is considered a reasonable time within which to comply with this order.*

Dated as Madison, Wisconsin, this twenty-sixth day of February, 1919.

* By order dated March 13, 1919, the Commission extended to May 1, 1919, the time for complying with this order.

44.05
45
127c

JUN 3 1919

American Telephone and Telegraph Company
Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 89

**Recent Commission Orders, Rulings and Decisions
from the following States:**

Arizona

Idaho

Illinois

Indiana

Minnesota

Missouri

Nebraska

Nevada

New Hampshire

New York

Ohio

Oklahoma

South Dakota

Washington

Wisconsin

and from

Canada

and

Ontario

MAY 1, 1919

ARIZONA.

Corporation Commission.

In re APPLICATION OF THE MOUNTAIN STATES TELEPHONE
AND TELEGRAPH COMPANY TO INAUGURATE EXCHANGE
RATES IN CLARKDALE.

Docket No. 573.

In re APPLICATION OF THE MOUNTAIN STATES TELEPHONE
AND TELEGRAPH COMPANY FOR A CERTIFICATE OF CON-
VENIENCE AND NECESSITY PERMITTING IT TO ESTABLISH
AN EXCHANGE AND EXERCISE CERTAIN RIGHTS IN
CLARKDALE.

Docket No. 574.

Decided February 4, 1919.

**Establishment of Exchange and Exercise of Rights to Construct and
Operate Telephone System in Town, Authorized — Class B Rates
to be Charged for Service from Said Exchange.**

OPINION AND ORDER.

The Mountain States Telephone and Telegraph Com-
pany has heretofore served the mining district consisting
of Jerome, Clarkdale and adjacent territory, through the
exchange at Jerome. The business of the district has
grown to such an extent that it is now deemed necessary to
establish an exchange at Clarkdale and serve the town of
Clarkdale and the district adjoining through said exchange.
Docket No. 573 is an application for permission to inaugu-
rate exchange rates in Clarkdale, and Docket No. 574 prays
for a certificate of convenience and necessity authorizing
the establishment of an exchange and for authority to
exercise rights in Clarkdale.

Under the service through the Jerome exchange, the rates
applicable to Clarkdale at the present time are \$4.00 for
business and \$3.00 for residence party 'phones. It is the
intention of the company to establish in Clarkdale an up-to-
date metallic magneto exchange and to apply Class B rates,

or \$3.00 for business 'phones and \$2.00 for residence party lines. The estimated expenditures for this construction are \$18,215. The present investment allocated to Clarkdale proper is \$2,247. Work will commence immediately upon the granting of authority by the Commission and the new rates will become effective when the system is completed and in operation.

The land upon which the town of Clarkdale is located is owned by the Clarkdale Improvement Company, a subsidiary of the United Verde Copper Company. The streets and alleys thereof having never been dedicated to the public use, no franchise, therefore, has been or could be secured from the county authorities, but an agreement has been entered into between the improvement company and the telephone company whereby the latter company is given all necessary rights for the construction and operation of its telephone system. The life of this contract was given as 10 years, which, however, by stipulation at the hearing, was extended to 20 years. A copy of said agreement is on file with the Commission.

Clarkdale has a population estimated to be 3,000. The smelter of the United Verde Copper Company is located at this place and the smelter of the United Verde Extension Mining Company, completed last year, is about three miles south thereof. Between Clarkdale and the Verde Extension smelter, there are a number of small towns and the district is growing rapidly. It is quite evident that adequate, convenient and satisfactory service can be furnished only through an exchange located at Clarkdale. The rates for business and residence service restricted to that community will be materially reduced and we think outweigh the disadvantages which will result from the establishment of a toll service between Clarkdale and Jerome. The records show that there are few, if any, people living in Clarkdale and the adjacent district who transact business in Jerome or *vice versa*.

It appearing that the public necessities require the establishment of an exchange at Clarkdale, the application of the company will be granted.

It is, therefore, ordered, That The Mountain States Telephone and Telegraph Company be, and it is hereby, authorized to construct and operate an exchange in the town of Clarkdale, Yavapai County, and to exercise the rights given to it in its contract or agreement with the Clarkdale Improvement Company, hereinbefore referred to.

It is further ordered, That the said The Mountain States Telephone and Telegraph Company be, and it is hereby, permitted, when the exchange above authorized has been completed and is ready for operation, to publish and make effective Class B rates in the town of Clarkdale.

Dated at Phoenix, Arizona, this fourth day of February, 1919.

In re APPLICATION OF THE MOUNTAIN STATES TELEPHONE
AND TELEGRAPH COMPANY FOR AUTHORITY TO INCREASE
RATES AT JEROME.

Docket No. 575.

Decided February 4, 1919.

**Increase in Exchange Rates Authorized Upon Substitution of Common
Battery System for Magneto System — Toll Rates for Interex-
change Service Fixed.**

OPINION AND ORDER.

Jerome, Yavapai County, is a mining town of approximately 5,000 inhabitants. Telephone service at this point was originally given by the New State Construction Company, The Mountain States Telephone and Telegraph Company being authorized to purchase and take over the operation of the system in the Commission's order* in Docket No. 11, of August 21, 1912.

The present exchange is being operated under what is known as the magneto service and Class B rates are in effect. It is represented that the growth of the district makes it essential at this time to rebuild the plant and establish a common battery service. To accomplish this and

* See III. Commission Telephone Cases 159.

justify the expenditures, authority is asked to establish Class A rates and to establish a toll service between Jerome and Clarkdale, at such time as the new exchange authorized at the latter point is completed. The present rates at Jerome are \$3.00 for business 'phones and \$2.00 for residence party lines. Under the new rates the individual line business service will be \$4.00, individual residence service, \$3.00, two-party residence service, \$2.50, four-party residence service, \$2.00.

Accompanying the application are letters from the United Verde Copper Company and the town clerk of Jerome, expressing the opinion that the reconstruction of the plant is desirable and should be authorized.

The telephone company proposes to rebuild the system, putting in a modern exchange at an additional expenditure of approximately \$45,349. The estimated salvage from the present system is \$15,067, which will bring the investment to \$59,247. The investment in the present plant allocated to Jerome is \$29,374.49, from which it will be observed that the added investment of the installation of the improved system will be approximately \$30,000.

In the Jerome exchange proper there are at the present time 302 subscribers. There have, however, been many requests for service during the last two years, which on account of war conditions the company has been unable to comply with. It is expected that these services will be supplied rapidly under changing conditions and it is estimated that there will be at least 400 subscribers in the near future. The business at Jerome has more than doubled since 1912 and the camp is in a flourishing condition.

It has been the custom of the company, under authority of the Commission, when systems have been rebuilt and common batteries substituted in place of magneto, to advance the district to Class A rates and there is no apparent reason why this practice should not be followed in the instant case.

The Jerome exchange has not heretofore earned its proportion of the allowable return in the State as a whole. The earnings for the year 1914, not including toll charges.

C. L. 89]

were 4.9 per cent. and including toll charges 6.58 per cent. For the year 1917, the net income amounted to \$567.12, while the total requirements, including depreciation and allowable return, were \$3,766.78, indicating a net deficit of \$3,999.66. This, of course, is the result of abnormal conditions created by the war and may not be accepted as a criterion of what the future may be. It is, however, quite evident that it will be necessary to establish Class A rates and toll charges between Jerome and Clarkdale. The distance between these two points by air-line is only about four miles. The distance by wagon road is something over six miles. There is a very heavy grade from Clarkdale to Jerome and the traffic moving between the two towns is largely commercial. The record indicates that there are few, if any, people living in one town and engaged in business or occupied in the other town, which it may be assumed would create a comparatively slight demand for free communication between the people of the two towns. There are no other exchanges within the State between which free communication is allowed and there is no apparent reason why there should be a different policy between Jerome and Clarkdale.

The telephone company had planned for the rebuilding and reconstruction of this plant before the entrance of the United States into the European War and materials and supplies for that purpose have been provided for. It will be possible, therefore, for the reconstruction work to proceed without delay.

The rapid growth of Jerome, both in point of numbers and in a commercial way, we believe fully justifies the reconstruction of its telephone system and the installation of the improved service. We are persuaded that the convenience and the saving of time which will result from a common battery system will fully compensate for the increased rates which will be necessary to maintain the system and earn sufficient revenue to obviate the laying of a burden upon other parts of the State.

It is, therefore, ordered, That the Mountain States Telephone and Telegraph Company be, and it is hereby,

authorized, when its plant at Jerome has been reconstructed and a modern exchange installed as outlined in its application herein, to establish Class A rates in accordance with its application.

It is further ordered, That the said The Mountain States Telephone and Telegraph Company be, and it is hereby, authorized, when its plant at Jerome has been reconstructed and the exchange has been installed at Clarkdale as authorized in our order* in Docket No. 574, to establish toll service between the towns of Jerome and Clarkdale, the toll charge for such service to be 15 cents for the first three minutes and 5 cents for each additional minute or fraction thereof.

Dated at Phoenix, Arizona, this fourth day of February, 1919.

* See Commission Leaflet No. 89, p. 1559.

IDAHO.

Public Utilities Commission.

ELMORE COPPER COMPANY v. THE MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, U. S. GOVERNMENT AND A. S. BURLESON, POSTMASTER GENERAL THEREOF.

Case No. F-256 — Order No. 557.

Decided February 28, 1919.

Bridging in of Private Line on Toll Line Denied.

OPINION AND ORDER.

This cause came before the Commission on a complaint filed by the Elmore Copper Company, a corporation, hereinafter called complainant, on December 27, 1918, alleging that complainant has constructed a line from the mines at Cat Creek, Idaho, a distance of one and one-half miles to The Mountain States Telephone and Telegraph Company telephone line in Elmore County, and has made application for and been refused connection with and service over said defendants' telephone lines.

On January 23, The Mountain States Telephone and Telegraph Company, hereinafter called defendant, filed answer admitting refusal of service to complainant and alleging that the line of defendant to which complainant asks to have its line connected is not a local circuit but a through line used for the purpose of conveying long distance messages, both telephone and telegraph; that said through line is now overloaded, and that to permit complainant to connect therewith would seriously impair the use of said line.

The matter came on for hearing before Commissioners A. L. Freehafer and George E. Erb at Boise, Idaho, on February 1, 1919, and witnesses were sworn and testimony taken, and the cause finally submitted to and taken under advisement by the Commission.

The testimony shows that in November, 1918, the complainant made application to the defendant to connect a private line, to be constructed from complainant's mining property on Cat Creek in Elmore County, with the Boise-Hailey line of defendant.

Complainant admits that at the time of making said application information was given that said application must be approved from the headquarters of the company.

It is shown that, without having secured the approval of its application, the complainant constructed approximately one and one-half miles of line from its mine to the line of the defendant, and that after the construction of same complainant was refused connection.

The testimony on behalf of defendant is to the effect that the line of defendant to which complainant has applied for connection is the transcontinental through line of defendant used for the transmission of long distance messages, both telephone and telegraph, and carries the regular wire leases of the defendant; that said line is at present carrying an overload of approximately 25 per cent., and that to connect the line of complainant would throw same out of balance to such an extent as to seriously impair and interfere with the transcontinental business over same. It is also shown that within two years last past the defendant was compelled to construct a local toll circuit to Hill City for the purpose of relieving said through line of the interference caused by connected exchanges; that the only toll station now maintained on said through line is at Dixie, which is used as a test station. The testimony further discloses the fact that in order to afford complainant service it would be necessary to string wires from Hill City to the connection with complainant's line, a distance of approximately 13 miles, at an estimated cost of \$4,500.

After carefully considering the testimony the Commission finds that it would be unwise and impractical to permit the bridging in of a local line as desired by complainant on the said transcontinental line of defendant. The Commission believes that in the near future it will become necessary to disconnect the toll station at Dixie, in order to

C. L. 89]

relieve the transcontinental line, in which event it may become necessary to extend the local toll circuit from Hill City, thereby affording service to complainant.

It is, therefore, ordered, That the complaint of Elmore Copper Company, a corporation, herein be, and the same hereby is, dismissed.

Done in open session at Boise, Idaho, this twenty-eighth day of February, 1919.

ILLINOIS.

Public Utilities Commission.

In re PROPOSED INCREASE IN RATES OF THE ABINGDON HOME TELEPHONE COMPANY.

Case No. 8667.

Decided March 3, 1919.

Increase in Rates Authorized—Allowance for Reserve for Depreciation Ordered Made.

The Abingdon Home Telephone Company sought authority to increase its rates for telephone service in Abingdon and London Mills and vicinities.

The Commission's engineers found that the reproduction cost new of the entire plant, exclusive of toll plant, based on average prices for labor and materials for the five-year period 1912 to 1916, and including the present stock of materials and supplies, was \$63,439, and that the reproduction cost new less depreciation was \$31,171; that the reproduction cost new of the toll plant was \$2,606 and the reproduction new less depreciation, \$1,827.

Held: That, after carefully considering the method used in appraising the plant and all other factors involved, making due allowance for working capital and including the present cost of materials and supplies, the fair value of the property, exclusive of toll plant, used and useful in furnishing telephone service in Abingdon and London Mills and vicinities, and the business attached thereto, including every element of value, tangible and intangible, as of July 1, 1918, for rate-making purposes, was \$58,000;

That with an annual allowance for reserve for depreciation of \$3,500—made by the Commission as reasonable—the total operating expenses would be \$12,586 and the total operating revenues, including the allocated portion of toll earnings, would be \$13,865, leaving a net income applicable to return on investment of \$1,279, or 2.2 per cent. on the fair value as found by the Commission;

That the proposed rates would produce a probable net increase in operating revenue of approximately \$3,420, and, therefore, there would be applicable for return on investment, if the present number of subscribers' stations were maintained with the distribution and classification probable under the proposed schedule, \$4,699, or 8.1 per cent. for return on investment;

That the proposed schedule of rates was not justified, but that a modification thereof would produce sufficient revenue to cover operating expenses

PROPOSED INCREASE IN RATES OF ABINGDON HOME T. Co. 1569

C. L. 89]

and provide a reserve for depreciation and return on the investment; therefore, the schedule of rates fixed by the Commission which, after paying all operating expenses and providing for reserve for depreciation, would yield a return of 6.8 per cent., should be approved;

That the applicant should set aside annually for reserve for depreciation \$3,500 plus 6 per cent. of the cost of all annual additions that might be made to the plant in the future.

OPINION AND ORDER.

A revised schedule of rates for telephone service in Abingdon and London Mills and vicinities having been filed by the Abingdon Home Telephone Company, and a hearing on the matter before the Commission being deemed necessary, all parties interested therein were duly notified, and the matter came on for hearing before the Commission on November 26, 1918, and January 15, 1919.

The present and proposed schedules of rates are as follows:

ABINGDON.

	<i>Present</i>	<i>Proposed</i>
Individual line business stations.....	\$24 00	\$33 00
Four-party line business stations.....	18 00	27 00
Business extensions	6 00	9 00
Individual line residence stations.....	18 00	24 00
Four-party line residence stations.....	15 00	21 00
Residence extensions	6 00	6 00
P. B. X. (intercommunicating sets) extensions	9 00	9 00
Rural party line	15 00	21 00
Rural switching	3 00	7 00
Extra Mileage: Line extending beyond the established exchange area, the boundaries of which are the corporate limits of the city of Abingdon.		
Individual line, per quarter mile, or fraction thereof		\$4 00
Four-party line, per quarter mile, or fraction thereof		2 25

NOTE: A discount of 25 cents per month applies to the rate for city service, except business and residence extensions and P. B. X. extensions, if payment is made on or before the fifteenth day of the month in which the service is rendered.

NOTE: A discount of 25 cents per month applies to the rate for rural party line telephones, if payment is made quarterly on or before the fifteenth day of the second month of the current quarter in which service is rendered.

NOTE: A discount of \$1.00 per year, or 50 cents on each semi-annual payment, applies to the rate for rural switching service if payment is made semi-annually on or before the first day of February and the first day of August of each year.

LONDON MILLS.

	<i>Present</i>	<i>Proposed</i>
Individual line business stations.....	\$15 00	\$27 00
Business extensions		6 00
Individual line residence stations.....	15 00	21 00
Four-party line residence stations.....	12 00	18 00
Residence extensions	6 00	6 00
Rural party line.....	18 00	21 00
Rural switching	5 00	6 00

Extra Mileage: Line extending beyond the established exchange area, the boundaries of which are the corporate limits of the city of London Mills.

NOTE: A discount of 25 cents per month applies to the rate for city service, except business and residence extensions and P. B. X. extensions, if payment is made on or before the fifteenth day of the month in which the service is rendered.

NOTE: A discount of 25 cents per month applies to the rate for rural party line telephones, if payment is made quarterly on or before the fifteenth day of the second month of the current quarter in which service is rendered.

NOTE: A discount of \$1.00 per year, or 50 cents on each semi-annual payment, applies to the rate for rural switching service, if payment is made semi-annually on or before the first day of February and the first day of August of each year.

At the hearing on November 26, 1918, petitioner was represented by *C. B. Cheadle*, secretary; *H. C. Bulkeley*, mayor, and *Welch and Zetterholm*, attorneys, for the city of Abingdon, and *W. E. Bell*, mayor, for London Mills, appeared as objectors. The city of Abingdon did not appear at the continued hearing on January 15, 1919.

An inventory and appraisal of the plant involved was submitted by petitioner, together with proof of publication of notice of intention to apply for authority to increase rates, and balance sheet with comparative income and

PROPOSED INCREASE IN RATES OF ABINGDON HOME T. CO. 1571

C. L. 89]

expense account, showing estimated rate of return under the present and proposed schedules of rates.

On October 1, 1918, service was furnished to 937 subscribers in Abingdon and vicinity, and 276 subscribers in London Mills and vicinity, distributed and classified as follows:

	<i>Net Rates Per Annum</i>	
	<i>Abingdon</i>	<i>London Mills</i>
Individual line business stations.....	77 at \$25 00	23 at \$15 00
Four-party line business stations....	18 at 18 00	.....
Individual line residence stations....	111 at 18 00	4 at \$15 00
Four-party line residence stations....	356 at 15 00	58 at 12 00
Business extension telephones	20 at 6 00	1 at 6 00
Residence extension telephones.....	23 at 6 00	2 at 6 00
Intercommunicating sets P. B. X....	7 at 9 00	.....
Rural telephones party line.....	156 at 15 00	15 00
Rural service stations	170 at 3 00	178 at 5 00
	937*	276*

The plant in both exchanges is of central energy type, with metallic circuits. The inventory and appraisal filed has been checked by the Commission's engineer and the checked inventory appraised. The reproduction cost new of the entire plant, exclusive of toll, using average prices for labor and material, for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$63,439. The reproduction cost new, less depreciation, and including present stock of materials and supplies, is \$31,171. The reproduction cost new for that portion of the plant devoted exclusively to toll, using the average prices for labor and material for the five-year period, 1912 to 1916, inclusive, is \$2,606. The reproduction cost new, less depreciation, is \$1,827.

After carefully considering the method used in appraising the plant and all other factors involved, making due allowance for working capital and including the present stock of materials and supplies, the Commission is of the opinion and finds that a reasonable value of the property, exclusive of toll plant, used and useful in furnishing tele-

*An error in addition is apparent.

phone service in Abingdon and London Mills and vicinities, and the business attached thereto, including every element of value, tangible and intangible as of July 1, 1918, for rate-making purposes, is \$58,000.

In connection with the inventory and appraisal of the plant, the condition of its component parts was determined by inspection. Based upon such inspection and a careful consideration of normal life tables, the Commission is of the opinion that a present annual allowance of \$3,500 will provide an adequate reserve to cover current depreciation. The accumulated balance on December 31, 1917, in the depreciation reserve was \$7,528.

Under authority of Commission's order No. 5154 of December 27, 1916, the Abingdon Home Telephone Company purchased the property of the London Mills Exchange at London Mills. One operating organization and one set of accounts is maintained for the combined property. As the operating expense and revenue for the London Mills Exchange is not included in the records prior to its purchase, the only period now available for the determination of joint operating results in the year ending December 31, 1917.

The annual operating expense for the year ending December 31, 1917, shown in petitioner's Exhibit B, exclusive of an allowance for depreciation and an item of bond interest, is \$9,086. With an annual allowance of \$3,500 included to provide a reserve for depreciation, as fixed by the Commission, the total operating expense, therefore, is approximately \$12,586.

Since the toll plant owned by petitioner is a very small part of the total, the Commission is of the opinion and finds that approximately \$870, a portion of the total annual toll revenue should be allocated to local revenue. On this basis, the operating revenue, including the allocated portion of toll earnings for the year ending December 31, 1917, is \$13,865.

The operating result, therefore, under present rates, provided the present volume of toll business is maintained, and

C. L. 89]

the allowance for depreciation fixed by the Commission is included in operating expenses, is a net income applicable to return of \$1,279, 2.2 per cent. on a value of \$58,000, as fixed by the Commission for rate-making purposes.

The proposed rates will produce a probable net increase in operating revenue of approximately \$3,420. Assuming that the present number of subscriber's stations is maintained, with the distribution and classification probable under the proposed schedule, a net annual income of approximately \$4,699 will be produced. This is a net annual return of 8.1 per cent on the minimum value of the property, fixed by the Commission as of July 1, 1918, for rate-making purposes.

The Commission, after giving due weight to all factors involved, is of the opinion and finds, therefore, that the proposed schedule of rates is not justified, but that a modification thereof will produce revenue sufficient to cover operating expense, provide a reserve for depreciation, and a return on the value of the property involved.

Assuming that the present number of subscriber's stations will be maintained, with the distribution and classification probable under this modification of the proposed schedule, an increase in revenue of approximately \$2,661 will be produced, with a net annual income of approximately \$3,940. This is a return of 6.8 per cent. on value of the property, as of July 1, 1918, fixed by the Commission for rate-making purposes.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That Rate schedule I. P. U. C. 2 for Abingdon and vicinity, and Rate schedule I. P. U. C. 3 for London Mills and vicinity, of the Abingdon Home Telephone Company be, and the same are hereby, permanently suspended.

Section 2. That the Abingdon Home Telephone Company be, and the same is hereby, authorized to discontinue the schedules of rates now in effect in Abingdon and London Mills and vicinities, and to substitute therefor, the following:

ABINGDON.

	<i>Annual Rates</i>
Individual line business telephone stations.....	\$30 00
Four-party line business stations.....	24 00
Business extensions	6 00
Individual line residence stations.....	24 00
Four-party line residence stations.....	21 00
Residence extensions	6 00
P. B. X. (intercommunicating sets) extensions.....	9 00

Extra Mileage: Line extending beyond the established exchange area, the boundaries of which are the corporate limits of the city of Abingdon.

Individual line, per quarter mile, or fraction thereof.....	4 00
Four-party line, per quarter mile, or fraction thereof, for each subscriber	2 25

A discount of 25 cents per month applies to the rates for city service (except business and residence extensions, and private branch exchange extensions) if payment is made on or before the fifteenth day of the month in which the service is rendered.

Rural party line telephone stations.....	21 00
--	-------

A discount of 25 cents per month applies to the rate for rural party line telephones, if payment is made quarterly, on or before the fifteenth day of the second month of the current quarter.

Rural switching service	7 00
-------------------------------	------

A discount of \$1.00 per year, or 50 cents on each semi-annual payment, applies to the rate for rural switching service, if payment is made semi-annually on or before the first day of February and the first day of August of each year.

LONDON MILLS.

Individual line business telephone stations.....	\$24 00
Business extensions	6 00
Individual line residence telephone stations.....	21 00
Four-party line residence telephone stations.....	18 00
Residence extensions	6 00

Extra Mileage: Line extending beyond the established exchange area, the boundaries of which are the corporate limits of the city of London Mills.

Individual line, per quarter mile, or fraction thereof.....	4 00
---	------

PROPOSED INCREASE IN RATES OF ABINGDON HOME T. CO. 1575

C. L. 89]

Annual Rates

Four-party line, per quarter mile, or fraction thereof, for each subscriber \$2 25

A discount of 25 cents per month applies to the rates for city service (except business and residence extensions) if payment is made on or before the fifteenth day of the month in which the service is rendered.

Rural party line telephones..... 21 00

A discount of 25 cents per month applies to the rate for rural party line telephones, if payment is made quarterly on or before the fifteenth day of the second month of the current quarter.

Rural switching service 6 00

A discount of \$1.00 per year, or 50 cents on each semi-annual payment, applies to the rate for rural switching service if payment is made semi-annually on or before the first day of February and the first day of August of each year.

NOTE: Rules on file with the Commission included in the above schedules.

Section 3. That the Abingdon Home Telephone Company set aside annually to provide a reserve against depreciation, \$3,500 plus 6 per cent. of the cost of all annual additions that may be made to the plant in the future.

Section 4. That the schedule of rates, authorized herein, shall be filed, posted and published by the Abingdon Home Telephone Company, in conformity with Section 34 of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* of the Public Utilities Commission of Illinois, and that for Abingdon it shall be known as Rate Schedule I. P. U. C. 3, cancelling Rate Schedule I. P. U. C. 1, and for London Mills, Rate Schedule I. P. U. C. 4, cancelling Rate Schedule I. P. U. C. 2, and shall become effective March 1, 1919.

By order of the Commission, at Springfield, Illinois, this third day of March, 1919.

* See Commission Leaflet No. 54, p. 21.

In re JOINT APPLICATION OF THE AUTOMATIC HOME TELEPHONE COMPANY AND THE RECEIVERS, CENTRAL UNION TELEPHONE COMPANY, TO PURCHASE AND SELL CERTAIN PROPERTY, AND APPLICATION OF THE AUTOMATIC HOME TELEPHONE COMPANY TO ISSUE BONDS AND TO INCREASE EXCHANGE RATES.

Case Nos. 8675, 8676 and 8677.

Decided March 3, 1919.

Consolidation of Competing Exchanges Authorized — Issue by Domestic Corporation of 6 Per Cent. Mortgage Bonds Authorized — Increase in Exchange Rates Authorized.

The Automatic Home Telephone Company sought authority to purchase, and the Receivers, Central Union Telephone Company sought authority to sell, the exchange property of the latter in the city of Pontiac, exclusive of central office equipment, receivers, transmitters and induction coils, toll pole lines and toll wires, subscribers' station apparatus, supplies, tools, etc., for \$52,500. The Automatic company also sought authority to issue \$125,000, par value, of 6 per cent. mortgage bonds; \$52,500, par value, of said bonds to be given to the Receivers, Central Union Telephone Company in payment for the Pontiac exchange property. The Receivers, Central Union Telephone Company sought authority to purchase outright \$18,000, par value, of said bonds and \$38,500, par value, of the common stock of the Automatic company. The applicants also sought authority to discontinue the present schedule of rates for telephone service in the city of Pontiac and vicinity and to substitute therefor another schedule applying to all stations in the consolidated property.

The Commission found that the fair present value of the physical portion of the consolidated plants, exclusive of all additions and improvements to be made to the plant of the Automatic company for the purpose of completing the proposed consolidation and combination, was \$200,898. and that the estimated reproduction cost new of the consolidated plant was \$243,498.

Held: That the consolidation of the two competing exchanges as proposed was in accord with public policy, as such consolidation would result in more complete service for the social and business interests of Pontiac and a substantial saving would be effected, especially for subscribers heretofore served by both competing plants; therefore, the proposed consolidation should be approved;

That subscribers of both telephone systems should be enabled to converse with all other subscribers of both systems through adequate trunking arrangements within 60 days, and within nine months the consolidation of

C L. 59]

the two systems should be completed so that the Automatic company's service would be available to all subscribers of the combined system;

That the proposed issue of 10-year, 6 per cent. first mortgage loan gold bonds in the aggregate amount of \$125,000 and the execution of a first mortgage or deed of trust to secure said bonds should be authorized;

That of the bonds authorized, \$52,500, par value, should be issued to the Receivers, Central Union Telephone Company, as consideration for the property purchased; \$36,500, par value, should be issued only to meet the cost of additions, extensions and betterments, or for the acquisition of other telephone plants upon approval of the Commission; \$20,000, par value, should be sold for cash at not less than 90 and the proceeds used for the purpose of connecting and combining the telephone plant to be acquired from the Receivers, Central Union Telephone Company with the present plant of the Automatic Home Telephone Company; \$16,000, par value, should be sold for cash at not less than 90 and the proceeds used in payment of the present unfunded debt of the Automatic company, incurred for construction, extensions and additions;

That all discounts, commissions and expenses incurred in the issue and sale of said bonds should be amortized out of income before October 21, 1928 by equal annual installments sufficient to amortize the entire sum before October 1, 1928, but the Automatic company should be authorized, at its discretion, to pay the entire amount not yet amortized in one sum and charge such sum to profit and loss;

That the Receivers, Central Union Telephone Company should be authorized to purchase \$18,000, par value, of the bonds to be issued by the Automatic company at par, and \$38,500, par value, of the Automatic company's capital stock for \$9,625;

That as the proposed schedule of exchange rates was reasonable and justifiable and had been approved by the directors of the Chamber of Commerce of Pontiac, and by a majority of citizens present at a meeting called to consider the rates, the proposed increases should be authorized to become effective when the combination of the two plants in Pontiac had been completed so that the service of the Automatic company was available to all subscribers of both systems;

That the Automatic company should be authorized to discontinue the free service between Pontiac, Chenoa, Cornell, Saunemin, Flanagan and Weston and to substitute therefor a toll charge of 10 cents per message, said toll charge to be established to the completion of the consolidation.

OPINION AND ORDER.

The applications filed herein, jointly by the Automatic Home Telephone Company, and David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers, Central Union Telephone Company, set forth that petitioners are both

public utilities, engaged in the operation of competing telephone systems in Pontiac, county of Livingston, and vicinity, and that as such public utilities they are subject to the provisions of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois.

The applications ask for the issuance of an order consenting to and approving the purchase by the Automatic Home Telephone Company and the sale by the Receivers, Central Union Telephone Company of the telephone exchange property now operated by the Receivers, Central Union Telephone Company, in the city of Pontiac, and vicinity, exclusive of central office equipment, receivers, transmitters and induction coils, supplies, tools and equipment, stable and garage equipment, motor vehicles, toll pole lines and toll wires, and subscribers' station apparatus — which property is more particularly described in the proposed bill of sale, filed with the application and made a part thereof — for a consideration of \$52,500, to be paid by delivery to the Receivers, Central Union Telephone Company, of \$52,500 par value, first mortgage loan gold bonds of the Automatic Home Telephone Company, of a proposed issue of bonds in the aggregate amount of \$125,000, each of said bonds being dated October 1, 1918, and maturing October 1, 1928, bearing interest at the rate of 6 per cent. per annum, payable semi-annually; provided further that the Receivers, Central Union Telephone Company purchase outright \$18,000, par value, first mortgage gold bonds of the proposed issue of bonds in the aggregate amount of \$125,000, of the Automatic Home Telephone Company, each of said bonds being dated October 1, 1918, and maturing October 1, 1928, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, plus \$38,500, par value, of the common capital stock of the Automatic Home Telephone Company now issued and outstanding; the said \$18,000 worth of first mortgage loan 6 per cent. gold bonds to be purchased at par for cash and the said \$38,500, par value, of common capital stock to be purchased for \$9,625 cash.

Authority is also asked for the issuance by the Automatic Telephone Company of its first mortgage gold bonds in the aggregate amount of \$125,000, par value, each of said bonds being dated October 1, 1918, and maturing October 1, 1928, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and secured by a first mortgage or deed of trust to the Central Trust Company of Illinois, Chicago, Illinois, as trustee, covering all property and assets of the said Automatic Home Telephone Company, now owned or to be hereafter acquired by it, and redeemable on any interest day after October 1, 1921, at a premium, of 2 per cent. plus accrued interest, upon due notice to the then owner of said bonds under the conditions provided for in the mortgage or deed of trust securing the entire issue.

The applications further ask for the issuance of an order authorizing the discontinuance of the schedule of rates for telephone service now in effect in the city of Pontiac, and vicinity, in the plants now operated by the Automatic Home Telephone Company, and the Receivers, Central Union Telephone Company, and the substitution therefor of another schedule applying to all stations in the combined plants should the proposed purchase and sale and bond issue be approved.

The several applications herein, all parties having been duly notified, came on for hearing before the Commission on November 26, 1918. The Receivers, Central Union Telephone Company were represented by *O. M. Burgess*, commercial engineer; the Automatic Home Telephone Company, by *Albert E. Wilson* and *L. W. Teusberg*, attorneys, and the city of Pontiac by *Ray Secler*, city attorney. No objectors to the proposed purchase and sale, issue of bonds, or proposed advances in rates appeared.

The Commission, after giving careful consideration to the testimony and exhibits filed, is of the opinion, and finds,

1. That David R. Forgan, Edgar S. Bloom and Frank F. Fowle were appointed Receivers of the Central Union Telephone Company by order entered January 31, 1914, in the

Superior Court of Cook County, in the case of *Read, et al. v. Central Union Telephone Company, et al.*, and that they are now engaged in the operation of a telephone system in Illinois, with connecting trunk and toll lines and including a local exchange in the city of Pontiac.

2. That the Automatic Home Telephone Company is a corporation organized and existing under and by virtue of the laws of the State of Delaware and duly licensed to do business within the State of Illinois, having its principal place of business in Pontiac, and that it is engaged in the operation of a telephone system comprising one exchange in Pontiac, and certain toll circuits and farm or rural circuits connecting therewith.

3. That the authorized capital stock of the Automatic Home Telephone Company is \$200,000, par value, cumulative dividend preferred stock, of which \$104,050 is outstanding, and \$110,000, par value, common capital stock, all of which is outstanding.

4. That a resolution passed at a meeting of stockholders of the Automatic Home Telephone Company held September 21, 1918, authorized the directors to issue its first mortgage gold bonds in the aggregate amount of \$125,000, said bonds to be secured by a mortgage or deed of trust upon all the property, both real and personal, now owned by the company or to be hereafter acquired by it, each of said bonds being dated October 1, 1918, and maturing October 1, 1928, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, the entire issue to be devoted to the following purposes and not otherwise:

\$36,500 to be retained by trustee and certified and issued only to meet the cost of additions, extensions, improvements and betterments of the company's plants and systems, or for the acquisition of other telephone properties, plants and systems upon the approval of the Public Utilities Commission of Illinois.

\$88,500 to be certified and issued by the trustee to the president of the Automatic Home Telephone Company for the following purposes and not otherwise:

\$52,500 to be issued as the consideration in the purchase of the existing telephone plant and properties of the Receivers, Central Union Telephone Company in Pontiac, and vicinity.

\$20,000 to be sold and the proceeds used to cover the cost of connecting and combining the telephone plant proposed to be acquired from the Receivers, Central Union Telephone Company with the present plant of company.

\$16,000 to be sold and the proceeds used in payment of the present unfunded debt of the Automatic Home Telephone Company for construction, extensions, improvements and additions to its facilities.

5. That a contract has been made by and between the Automatic Home Telephone Company and the Receivers, Central Union Telephone Company, covering the purchase by the former and the sale by the latter of the present telephone exchange property operated by the latter in the city of Pontiac and vicinity, exclusive of the central office equipment, receivers, transmitters and induction coils, supplies, tools and equipment, stable and garage equipment, motor vehicles, toll pole lines and toll wires, and subscribers' station apparatus, which property is more particularly described in the proposed bill of sale filed with the application and made a part thereof.

That the consideration specified to be paid the Receivers, Central Union Telephone Company, is \$52,500, par value, first mortgage gold bonds of the Automatic Home Telephone Company of a proposed issue and the aggregate amount of \$125,000, each of said bonds being dated October 1, 1918, and maturing October 1, 1928, and bearing interest at the rate of 6 per cent. per annum, payable semi-annually.

That the contract further specifies that the Automatic Home Telephone Company sell to the Receivers, Central Union Telephone Company, \$18,000, par value, of its first mortgage gold bonds of a proposed issue in the aggregate amount of \$125,000, each bond being dated October 1, 1918, and maturing October 1, 1928, and bearing interest at 6 per cent. per annum, payable semi-annually, at par for cash, and \$38,500, par value, of its common capital stock, now issued and outstanding, for \$9,625 in cash.

6. That the Superior Court of Cook County, by its order of May 8, 1918, has authorized the Receivers, Central Union Telephone Company, to execute all instruments, docu-

ments, and papers necessary, in order to consummate the proposed sale of the telephone exchange property in Pontiac and vicinity, under the conditions and for the consideration stated.

7. That the Pontiac Chamber of Commerce and Board of Supervisors of the county of Livingston have both passed resolutions favoring the consolidation of the competing telephone exchange properties in the city of Pontiac, and that the directors of the Pontiac Chamber of Commerce, after examination of the schedule of rates proposed to be placed in effect, upon the combination and consolidation of the two plants, stated by resolution, that the proposed schedule of rates is reasonable, satisfactory, and will not be opposed.

That prior to filing the proposed classification and schedule of rates herein, it was submitted to the citizens of Pontiac at a duly advertised public meeting, and that the entire schedule and classification was thoroughly considered and approved by a majority of those present.

8. That the present telephone exchange of the Receivers, Central Union Telephone Company, now serves approximately 957 city stations and 108 rural stations in Pontiac and vicinity, while the telephone exchange of the Automatic Home Telephone Company now serves approximately 1147 city stations and 86 rural stations, and that the total number of stations in both exchange plants include approximately 391 duplicated stations.

9. That the general distribution and classification of service and the schedule of rates now authorized together with the proposed schedule of rates for the combined plants are as follows:

	Automatic Home Telephone Company		Receivers Central Union Telephone Company		Pro- posed Rates
	Num- ber of Sub- scribers	Annual Rates	Num- ber of Sub- scribers	Annual Rates	
Private line business.....	210	\$30 00	147	\$24 00	\$36 00
Private line business, charity.....	7	18 00	.....	.....	.....
Two-party line business.....	18	21 00	81	18 00	30 00
Extension line business, two-way....	35	6 00	28	12 00	6 00
Extension line business, one-way....	14	3 00	.....	.....	4 20
Private line residence.....	32	24 00	134	18 00	24 00
Two-party line, residence.....	78	18 00	285	15 00	21 00
Four-party line, residence.....	710	15 00	141	12 00	18 00
Four-party line residence, employees.	6	12 00	.....	.....	.....
Extension line residence, two-way....	16	6 00	36	6 00	6 00
Extension line residence, one-way....	5	3 00	.....	.....	3 00
Rural service:					
Ten-party line.....	.....	.....	.....	.....	18 00
Twenty-party line.....	.....	.....	108	12 00	.....
Twelve-party line.....	86	12 00	.....	.....	.....
Switching service.....	.....	.....	30	8 00	8 00
Private branch exchange boards:					
(A).....	.....	.....	3	12 00	24 00
(B).....	.....	.....	1	5 00	5 00
Private branch exchange stations:					
(A).....	.....	.....	37	12 00	12 00
(B).....	.....	.....	34	5 00	5 00
TOTAL.....	1,233*	.....	1,065	.....	.....

10. That the Receivers, Central Union Telephone Company, have submitted an inventory and appraisal of the property to be sold showing the reproduction cost new, as of February 25, 1918, to be \$75,611, and the reproduction cost new, less depreciation, \$61,924; that the Automatic Home Telephone Company has submitted an inventory and appraisal of the property now used in furnishing its telephone service in Pontiac and vicinity, showing the reproduction cost new of the physical portion of the property to be \$171,688, and the reproduction cost new, less depreciation, \$142,070; that the fair and reasonable value of that part of the property which cannot be used in the con-

*An error in addition is apparent.

solidated plants will not exceed 5 per cent. of the reproduction cost new of both.

11. That the consolidation and combination of the two present plants will require changes and additions to the present plant of the Automatic Home Telephone Company, and that these changes and additions will involve an expenditure reasonably estimated to be approximately \$20,000.

12. That a fair and reasonable present value for the physical portion of the consolidated plants, exclusive of all additions and improvements made to the plant of the Automatic Home Telephone Company for the purpose of completing the proposed consolidation and combination, is \$200,898, and that the estimated reproduction cost new of the consolidated and combined physical plants, as of January 1, 1919, is \$243, 498.

13. That the consolidation of the two competing exchanges, as proposed, is in accord with public policy since it appears from the evidence that such consolidation will result in more complete service for the social and business interests of Pontiac, and that a substantial saving will be effected, especially for subscribers now served by both competing plants.

14. That the proposed consolidation will effect a probable reduction of 391 in the total number of telephone stations in the combined plants, and that the annual exchange revenue with the probable number of stations retained after consolidation under the present rates of the Automatic Home Telephone Company will be approximately \$31,892, and under the proposed rates, approximately \$37,239.

That in addition to the revenue from local telephone rentals, it is estimated that revenue, amounting to approximately \$2,100 per annum, will be realized due to the proposed elimination of free service to Chenoa, Cornell, Saunemin, Flanagan and Weston. The proportion of other toll revenue that may be properly allocated to local revenue is approximately \$1,870 per annum. The estimated total local revenue after the consolidation of the two exchanges under the proposed rates, therefore, is \$41,209.

That the annual operating expenses of the Automatic Home Telephone Company, exclusive of any allowance for depreciation for the two years ending December 31, 1917, are \$14,221 and \$16,410, respectively, an average of \$12.45 per annum per station. With an estimated total of 1907 stations after consolidation, the annual operating expense, exclusive of any allowance for depreciation, based upon the 1916 and 1917 average per station, is \$23,742. That since the net revenue available for return upon investment and depreciation, based upon the proposed schedule of rates and the probable number of stations remaining in the two plants after consolidation is approximately \$17,467, 8.6 per cent, upon the reproduction cost new, less depreciation, of the combined property, it is unnecessary for the purposes of this proceeding, for the Commission to fix a value upon the entire property, tangible and intangible, as a basis for rate-making.

It is, therefore, ordered by the Public Utilities Commission of Illinois as follows:

1. That the sale by the Receivers, Central Union Telephone Company and purchase by the Automatic Home Telephone Company of the telephone exchange property operated by the Receivers, Central Union Telephone Company, in Pontiac and vicinity, exclusive of the central office equipment, receivers, transmitters and induction coils, supplies, tools and equipment, stable and garage equipment, motor vehicles, toll pole lines and toll wire, and subscribers' station apparatus, which is shown in detail in petitioners' Exhibits A and B; and the purchase by the Receivers, Central Union Telephone Company, of \$18,000, par value, at par, first mortgage loan 6 per cent. gold bonds of the Automatic Home Telephone Company of the proposed issue in the aggregate amount of \$125,000; and \$38,500 par value of its common capital stock for \$9,625, both in cash; in accordance with the contract filed, be, and they are hereby, authorized and approved, upon the following conditions and not otherwise, to-wit:

(a) That subscribers of both telephone systems shall be enabled to converse with all other subscribers of both systems through adequate trunking arrangements within sixty days from the date of this order.

(b) That the consolidation of the two systems shall be completed so that the Automatic Home Telephone Company's service is available to all subscribers of the combined systems within nine months from the date of this order.

(c) That the Receivers, Central Union Telephone Company shall turn over all of its Pontiac books of accounts and records to the Automatic Home Telephone Company, taking a detailed receipt therefor and furnishing this Commission with a certified copy of said receipt.

(d) That the Automatic Home Telephone Company shall make, or cause to be made, a final report to this Commission of the operations of said Receivers, Central Union Telephone Company in Pontiac, and vicinity, from the date of its last annual report to this Commission to the date the property is transferred.

2. That the proposed issue of first mortgage loan gold bonds in the aggregate amount of \$125,000, each of said bonds being dated October 1, 1918, and maturing October 1, 1928, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, by the Automatic Home Telephone Company, and the execution of a first mortgage or deed of trust to the Central Trust Company of Illinois, as Trustee, upon all the property both real and personal, now owned by the company or to be hereafter acquired by it, in the form submitted, to secure the proposed issue of bonds is authorized and approved upon the following conditions and not otherwise, to-wit:

(a) That \$52,500, par value, first mortgage loan 6 per cent. gold bonds of the proposed issue in the aggregate amount of \$125,000, shall be issued to the Receivers, Central Union Telephone Company as the consideration for the property purchased.

(b) That \$36,500, par value, first mortgage loan 6 per cent. gold bonds of the proposed issue in the aggregate amount of \$125,000, shall be certified and issued only to meet the cost of additions, extensions, improvements and betterments of the company's plants and systems, or for the acquisition of other telephone plants and systems upon the approval of the Public Utilities Commission of Illinois.

(c) That \$20,000, par value, first mortgage loan 6 per cent. gold bonds of the proposed issue in the aggregate amount of \$125,000, shall be sold for money only at not less than 90 per cent. par value, and that the proceeds shall be used only for the purpose of connecting and combining the telephone plant to be acquired from the Receivers, Central Union Telephone Company with the present plant of the Automatic Home Telephone Company.

(d) That \$16,000, par value, first mortgage loan 6 per cent. gold bonds of the proposed issue in the aggregate amount of \$125,000, shall be sold for money only at not less than 90 per cent. of par value, and the proceeds used in payment of the present unfunded debt of the Automatic Home Telephone Company for construction, extensions, improvements and additions to its facilities.

(e) That all discounts, commissions and expenses incurred in the issue and sale of the first mortgage loan 6 per cent. gold bonds of the proposed issue in the aggregate amount of \$125,000, shall be amortized out of the income of the company before October 1, 1928, by equal annual installments sufficient to amortize the entire sum before October 1, 1928; but the Automatic Home Telephone Company is authorized, at its discretion, to pay the entire amount not yet amortized, in one sum and charge such sum to profit and loss.

(f) That the Automatic Home Telephone Company shall keep true and accurate accounts showing the receipt and application, in detail, of the proceeds of the sale of the bonds hereby authorized to be issued by it, and shall make verified report to this Commission, stating the amount of bonds issued, the terms and conditions of sale or disposal, the moneys realized therefrom, and the use and application of such moneys; and the accounts, vouchers and records of said company, in connection therewith, shall be open to audit and may be examined from time to time by accountants and examiners designated for that purpose by the Public Utilities Commission of Illinois.

(g) That the Automatic Home Telephone Company, before the delivery of the bonds hereby authorized to be issued by it, shall cause to be printed, stamped or engraved on the face of each of said bonds, for the proper and easy identification thereof, the following:

PUBLIC UTILITIES COMMISSION OF ILLINOIS

Authorization No. 810

March, 1919.

(h) That the Automatic Home Telephone Company be, and it is hereby, charged an amount equal to 10 cents for every \$100, par value, of the bonds authorized by this order to be issued by it, and the same shall be paid into the state treasury before such bonds shall be issued.

3. That the proposed schedule of advanced rates for telephone service is reasonable and justifiable, and the Automatic Home Telephone Company is hereby authorized to discontinue the schedule of rates now in effect in Pontiac and vicinity, and to substitute therefor the schedule of rates as submitted and listed below, under the following conditions and not otherwise, to-wit:

SCHEDULE OF EXCHANGE RATES AND CHARGES AUTOMATIC HOME TELEPHONE COMPANY

<i>Class of Service</i>	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Individual flat rate.....	\$36 00	\$24 00
Two-party flat rate.....	30 00	21 00
Four-party flat rate.....	.....	18 00
Ten-party flat rate (rural).....	24 00	18 00
<i>Extension telephone (within same premises) flat rate:</i>		
Two-way	6 00	6 00
One-way	4 20	3 00
Bell	3 00	3 00
6-inch gong	6 00	6 00
<i>Private Branch Exchange No. 1:</i>		
Switchboard with operator's set for each position	24 00	18 00
Battery circuit where total rental is less than \$150 per year.....	24 00	18 00
Generator circuit, where total rental is less than \$150 per year.....	24 00	18 00
Trunk, two-way, flat rate (minimum installation, 1 trunk).....	36 00	24 00
Station (within same premises) (minimum installation, 5 stations).....	12 00	12 00
<i>Private Branch Exchange No. 2:</i>		
Trunk, two-way, flat rate.....	36 00	24 00
Station (within same premises, minimum, 5; maximum, 10 stations).....	12 00	12 00
<i>Private Branch Exchange — Hotel:</i>		
Switchboard with operator's set for each position	5 00	.....
Battery circuit where total exchange revenue is less than \$150 per year.....	24 00	.....
Generator circuit where total exchange revenue is less than \$150 per year.....	24 00	.....
<i>Trunk:</i>		
Two-way, flat rate.....	36 00	.....
Two-way, measured	No charge.	.....
Minimum installation, two trunks, additional measured trunks furnished in accordance with requirements of the service as determined by studies made by this company. Measured service messages at 5 cents each.		

<i>Class of Service:</i>	<i>Annual Rates</i>	
	<i>Business</i>	<i>Residence</i>
Station (within same premises) (minimum installation 20 stations).....		\$5 00
<i>Extra Mileage:</i>		
<i>Line extending beyond the established exchange area, the boundaries of which are city limits.</i>		
Individual, quarter mile or fraction thereof..	\$6 00	6 00
Two-party, quarter mile or fraction thereof, for each subscriber	3 75	3 75
Four-party, quarter mile or fraction thereof, for each subscriber.....	2 25	2 25
Two-party service beyond the established exchange area will be furnished only when two parties outside said area, but within one-quarter mile of each other, are actually connected at the two-party rate.		
Four-party service beyond the established exchange area will be furnished only when at least three parties outside said area who are within a radius of one-quarter mile of each other are actually connected at the four-party rate.		
<i>Public Telephones:</i>		
Local calls, 5 cents each for a five-minute period, or fraction thereof, and 5 cents for each additional five minutes or fraction thereof.		
<i>Miscellaneous:</i>		
Trunk connecting two private branch exchange switchboards, first mile or fraction thereof, by route of wire.....	40 00	40 00
For each additional quarter mile or fraction thereof	10 00	10 00
<i>Class of Service:</i>		
Private line (including terminal instruments), first mile or fraction thereof, by route of wire	40 00	40 00
For each additional quarter mile or fraction thereof	10 00	10 00
Extra receivers	1 00	1 00
Extra operator's head set with breast-plate transmitter	3 50	3 50
Collapsible transmitter arm and switch, extra long cords in excess of six feet, 50 cents per excess foot for new cord and renewals.		

Annual Rates
Business Residence

An annual charge of \$7.50 for each quarter mile or fraction thereof will be made for circuits to connect extensions or stations located in different premises from the main telephone or switchboard. By "premises" is meant under the same roof or on the same lot, provided no pole or underground conduit has to be used to connect the station.

Extra listing members same firm or family...	\$2 00	\$1 00
Where not member of same firm but occupying same office	12 00	.....

Switching Charge:

To rural subscribers owning and maintaining a portion of their own line, we owning and maintaining the balance, for Pontiac service quarterly in advance.....

8 00 8 00

Special Rates:

Club rooms, lodges, churches, hospitals and other public charitable institutions not supported by public taxation:

Individual line	24 00	.....
Two-party line	18 00	.....
Extensions within same premises.....	6 00	.....

Employees — Rates for service to those in employ of this company, 50 cents less per month than standard rate for class of service furnished, except in instances of manager, superintendent of equipment, and superintendent of plant, where no charge is made account of necessity to company.

City of Pontiac — 10 city offices (no charge as per clause in franchise).

Toll Line Rates:

The Independent Toll Clearing Company will file rates for independent and toll line service and furnish information regarding same, except as to the following points where free service is now maintained and where authority to install a toll rate of 10 cents per five-minute call or fraction thereof is here requested.

(a) That the combination and consolidation of the two separate telephone exchange plants in Pontiac and vicinity, shall be completed so that the service of the Automatic Home Telephone Company is available to all the subscribers of both systems before the proposed schedule of rates shall be placed in effect.

C. L. 89]

(b) That pending the complete combination and consolidation of the two telephone systems, trunking arrangements shall be completed whereby the subscribers of each system may have free access to the subscribers of the other system without charge.

4. That the Automatic Home Telephone Company be, and the same is hereby, authorized to discontinue the free service between Pontiac and Chenoa, Cornell, Saunemin, Flanagan and Weston, and to substitute therefor a charge of 10 cents per call under the following conditions and not otherwise, to-wit:

(a) That the combination and consolidation of the two separate telephone exchange plants in Pontiac and vicinity, shall be completed so that the service of the Automatic Home Telephone Company is available to all the subscribers of the combined systems before the free toll service between Pontiac and Chenoa, Cornell, Saunemin, Flanagan and Weston shall be discontinued, and a message toll of 10 cents collected in lieu thereof.

(b) That no toll rates now in effect from either of the two present telephone exchange plants in Pontiac, except these specifically authorized to be changed herein, shall not be increased or modified in any particular without the specific approval, in each case, of the Public Utilities Commission of Illinois.

5. That the proposed schedule of rates authorized herein, shall be filed, posted and published in accordance with the requirements of Section 34 of the Act to Provide for the Regulation of Public Utilities and with General Order No. 48* of the Public Utilities Commission of Illinois.

By order of the Commission, at Springfield, Illinois, this third day of March, 1919.

Commissioner Wilkerson dissenting.

* See Commission Leaflet No. 87, p. 891.

In re APPLICATION OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY AND THE CUMBERLAND TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO PLACE IN EFFECT INCREASED TOLL AND LONG DISTANCE RATES.

Case No. 8842.

Decided March 3, 1919.

Schedule of Toll Rates Applicable to Messages Between Points Not More Than Twelve Miles Apart, Suspended.

SUSPENSION ORDER.

On February 24, 1919, the Southern Bell Telephone and Telegraph Company and the Cumberland Telephone and Telegraph Company filed with the Commission a schedule of rates for long distance service, applying to points distant from each other twelve miles or less, and proposed that such rates become effective February 21, 1919.

It appears, from an examination of the schedule filed, applying to messages between points in the State of Illinois, distant from each other twelve miles or less, that the Commission should enter upon a hearing concerning the propriety of the proposed rates, and that pending the hearing and the decision thereon, the said proposed rates should not go into effect.

It is, therefore, ordered, That the proposed rates for long distance connections between points distant from each other not more than twelve miles, in the State of Illinois, stated in the schedule filed by the Southern Bell Telephone and Telegraph Company and the Cumberland Telephone and Telegraph Company, be, and the same are hereby, suspended until July 23, 1919.

By order of the Commission, at Springfield, Illinois, this third day of March, 1919.

C. L. 89]

In re PROPOSED INCREASE IN RATES OF THE ALTONA FARMERS
TELEPHONE COMPANY.

Case No. 8699.

Decided March 5, 1919.

**Increase in Rates Authorized—Allowance for Reserve for Depreciation
Ordered Made.**

The Altona Farmers Telephone Company sought authority to increase its rates at Altona and vicinity.

The Commission found that the reproduction cost new of the entire plant, based upon average prices for labor and material for the five-year period 1912-1916, and including the present stock of materials and supplies, was \$7,144, and that the reproduction cost new less depreciation, including present stock of materials and supplies, was \$4,843.

The Commission further found that should applicant set aside \$400 for reserve for depreciation, which was reasonable, its operating expenses, including such reserve would be \$1,953; that as its present annual revenue including toll revenue was only \$1,729, it was operating at a deficit of \$224.

Held: That the proposed rates would produce a probable increase in operating revenue of \$400, assuming that the present number of subscribers' stations were maintained with the distribution and classification probable under the proposed schedule, and would yield a net annual income of \$176, or 3.42 per cent. on the reproduction cost new less depreciation of the physical portion of the property;

That it was unnecessary to determine the total value of the entire property, tangible and intangible, as a basis for fixing rates, since on the present value of the plant alone, the proposed schedule, including all toll revenues, would produce a probable net annual return of only 3.42 per cent.;

That the proposed increases in rates should be authorized;

That the applicant should set aside annually to provide a reserve against depreciation, \$400 plus 6 per cent. of the cost of all annual additions made to the plant;

That all items of the expense having to do with the upkeep of the plant, except those specifically designated in Section 14, "Uniform System of Accounts for Telephone Companies" (Class C and Class D), issued by the Commission, should be charged to Account No. 603 "Depreciation of Plant and Equipment."

OPINION AND ORDER.

A revised schedule of rates for telephone service in Altona and vicinity having been filed by the Altona Farm-

ers Telephone Company, and all interested parties having been duly notified, the matter came on for a hearing before the Commission on November 26, 1918. The petitioner was represented by *S. D. Brown*, treasurer and manager; no objectors appeared.

The present and proposed schedule of rates is as follows:

	<i>Annual Rates</i>	
	<i>Present</i>	<i>Proposed</i>
Individual line business stations.....	\$16 00	\$20 00
Party line business stations.....	14 00	18 00
Individual line residence stations.....	12 00	16 00
Party line residence stations.....	9 00	12 00
Extension telephones		6 00
Extension bells		4 00
Rural switching service	5 00	6 00

A statement of operating expense and revenue for the year ending September 1, 1918, was submitted, together with proof of publication of notice of intention to apply for authority to increase rates. Petitioner stipulated that should a report be made by the telephone engineer of the Commission as to the value of the property that it be made a part of the record in the case.

On September 1, 1918, service was being furnished to 201 subscribers, distributed and classified as follows:

	<i>Number of Subscribers</i>	<i>Per Annum</i>
Individual line business stations.....	1	\$16 00
Party line business stations.....	14	14 00
Party line residence stations.....	77	9 00
Rural switching service stations.....	109	5 00
TOTAL	201	

The plant is of the magneto type, with metallic circuits.

The reproduction cost new of the entire plant, using average prices for labor and material for the five-year period, 1912 to 1916, inclusive, and including the present stock of materials and supplies, is \$7,144, and the reproduction cost new, less depreciation, and including present stock of materials and supplies, is \$4,843.

C. L. 89]

In connection with the inventory and appraisal of the plant, the condition of its component parts was determined by inspection. Based upon such inspection and a careful consideration of normal life tables, the Commission is of the opinion that an annual allowance of \$400 will provide an adequate reserve to cover current depreciation. No reserve for depreciation has been accumulated.

The annual reports made by petitioner, on file with the Commission, show a distribution of operating expense which does not accord with the classification of accounts prescribed by the Commission. The analysis of the annual operating expense for the year ending September 1, 1918, filed in compliance with instructions issued at the hearing, shows a total of \$1,553, exclusive of any allowance for depreciation. The total operating expense for the same period, including an allowance for depreciation, as fixed by the Commission, therefore, is \$1,953.

The annual revenue based upon the classification and distribution of stations as of September 1, 1918, with present rates and including toll revenue, is \$1,729. On this basis, the annual operating result is a deficit of \$224. Since the toll plant owned by petitioner and devoted exclusively to toll is comparatively small, the total revenue from toll may properly be included as a part of the local revenue.

The proposed rates will produce a probable increase in operating revenue of \$400. Assuming that the present number of subscribers' stations will be maintained with the distribution and classification probable under the proposed schedule, the increased rates will produce a net annual income of approximately \$176. This is an annual return of 3.42 per cent. on the reproduction cost new, less depreciation, of the physical portion of the property.

The Commission is of the opinion, therefore, and finds that it is unnecessary in this case to determine a total value of the entire property, tangible and intangible as a basis for fixing rates, since on the present value of the physical plant alone, the proposed schedule of rates, including all toll revenue, will produce a probable net annual return of only 3.42 per cent.

In view of the record and all the facts, the Commission is of the opinion and finds that the proposed schedule of rates is justified and should be authorized.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Altona Farmers Telephone Company be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Altona, and vicinity, and to substitute therefore the following:

	<i>Annual Rates</i>
Individual line business stations.....	\$20 00
Party line business stations.....	18 00
Individual line residence stations.....	16 00
Party line residence stations.....	12 00
Extension telephones	6 00
Extension bells	4 00
Rural switching service.....	6 00

Section 2. That the Altona Farmers Telephone Company set aside annually, to provide a reserve against depreciation, \$400 plus 6 per cent. of the cost of all annual additions made to the plant in the future.

Section 3. That all items of the expense having to do with the upkeep of the plant, except those specifically designated in Section 14, "Uniform System of Accounts for Telephone Companies," (Class C and D), issued by this Commission, shall be charged to Account No. 603, "Depreciation of Plant and Equipment."

Section 4. That the schedule of rates herein authorized, shall be filed, posted and published by the Altona Farmers Telephone Company, in conformity with Section 34 of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 48* of the Public Utilities Commission of Illinois; that it shall be known as I. P. U. C. 2, and shall become effective as of March 7, 1919.

By order of the Commission, at Springfield, Illinois, this fifth day of March, 1919.

* See Commission Leaflet No. 87, p. 891.

C. L. 89]

In re APPLICATION OF ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION *et al.*, FOR AUTHORITY TO INCREASE RATES.

Case No. 8694.

Decided March 17, 1919.

**Increase in Rates Authorized — Discount for Prompt Payment Equal
to Increase in Rates, Authorized.**

FIRST SUPPLEMENTAL ORDER.

In a joint petition filed by the Illinois Independent Telephone Association and certain individual members of such association, which included the New Boston Telephone Company, an order was prayed for authorizing the said individual members to place in effect a uniform increase of 25 cents per month for each class of service furnished, provided that a discount of 25 cents per month be made in every case when rentals are paid on or before the fifteenth day of the month in which the service is rendered.

This matter was duly heard and findings made justifying the proposed advance in rates and an order* entered permitting the proposed advance in rates to become effective, all as set forth in the order of the Commission dated January 22, 1919. Through inadvertence, it appears that the New Boston Telephone Company was not included in the list of individual members of the Independent Telephone Association authorized in the said order to place the advanced rates in effect.

The Commission being of the opinion and having found that the proposed increase in rates of 25 cents per month, under certain terms and conditions, and applicable to certain individual members of the Independent Telephone Association joining in the said petition which includes the New Boston Telephone Company, are just and reasonable, all as set forth in the said order* dated January 22, 1919; and the Commission being fully advised in the premises;

It is, therefore, ordered, That the New Boston Telephone Company, an individual member of the Illinois Independent

* See Commission Leaflet No. 87, p. 913.

In view of the record and all the facts, the Commission is of the opinion and finds that the proposed schedule of rates is justified and should be authorized.

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That the Altona Farmers Telephone Company be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Altona, and vicinity, and to substitute therefore the following:

	<i>Annual Rates</i>
Individual line business stations.....	\$20 00
Party line business stations.....	18 00
Individual line residence stations.....	16 00
Party line residence stations.....	12 00
Extension telephones	6 00
Extension bells	4 00
Rural switching service.....	6 00

Section 2. That the Altona Farmers Telephone Company set aside annually, to provide a reserve against depreciation, \$400 plus 6 per cent. of the cost of all annual additions made to the plant in the future.

Section 3. That all items of the expense having to do with the upkeep of the plant, except those specifically designated in Section 14, "Uniform System of Accounts for Telephone Companies," (Class C and D), issued by this Commission, shall be charged to Account No. 603, "Depreciation of Plant and Equipment."

Section 4. That the schedule of rates herein authorized, shall be filed, posted and published by the Altona Farmers Telephone Company, in conformity with Section 34 of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 48* of the Public Utilities Commission of Illinois; that it shall be known as I. P. U. C. 2, and shall become effective as of March 7, 1919.

By order of the Commission, at Springfield, Illinois, this fifth day of March, 1919.

* See Commission Leaflet No. 87, p. 891.

C. L. 89]

In re APPLICATION OF ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION *et al.*, FOR AUTHORITY TO INCREASE RATES.

Case No. 8694.

Decided March 17, 1919.

**Increase in Rates Authorized — Discount for Prompt Payment Equal
to Increase in Rates, Authorized.**

FIRST SUPPLEMENTAL ORDER.

In a joint petition filed by the Illinois Independent Telephone Association and certain individual members of such association, which included the New Boston Telephone Company, an order was prayed for authorizing the said individual members to place in effect a uniform increase of 25 cents per month for each class of service furnished, provided that a discount of 25 cents per month be made in every case when rentals are paid on or before the fifteenth day of the month in which the service is rendered.

This matter was duly heard and findings made justifying the proposed advance in rates and an order* entered permitting the proposed advance in rates to become effective, all as set forth in the order of the Commission dated January 22, 1919. Through inadvertence, it appears that the New Boston Telephone Company was not included in the list of individual members of the Independent Telephone Association authorized in the said order to place the advanced rates in effect.

The Commission being of the opinion and having found that the proposed increase in rates of 25 cents per month, under certain terms and conditions, and applicable to certain individual members of the Independent Telephone Association joining in the said petition which includes the New Boston Telephone Company, are just and reasonable, all as set forth in the said order* dated January 22, 1919; and the Commission being fully advised in the premises;

It is, therefore, ordered, That the New Boston Telephone Company, an individual member of the Illinois Independent

* See Commission Leaflet No. 87, p. 913.

Telephone Association joining in the aforesaid petition, be, and the same is hereby, authorized to place in effect an increase of 25 cents per month per telephone station, in each and every telephone rate now established in its exchange at New Boston, subject to the following conditions and not otherwise, to-wit:

The increase in telephone rates authorized herein shall be made subject to the establishment of a discount of 25 cents per station per month provided that the service is billed in advance and the monthly rental is paid on or before the fifteenth day of the month in which it is rendered.

It is further ordered, That the New Boston Telephone Company herein authorized to put in effect an increase of 25 cents per station per month, with a like discount of allowance for prompt payment, under the conditions herein stated, shall file, post and publish, in conformity with Section 34, of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* of the Public Utilities Commission of Illinois, a schedule of the rates herein authorized for telephone service, and that such increased rates shall become effective upon the filing of the revised schedule with the Commission, but in no event prior to April 1, 1919.

By order of the Commission, at Springfield, Illinois, this seventeenth day of March, 1919.

In re PROPOSED INCREASES IN RATES OF THE GALVA TELEPHONE COMPANY.

Case No. 8633.

Decided March 18, 1919.

**Increase in Rates Authorized — Discount for Prompt Payment Approved
— Allowance for Reserve for Depreciation Ordered Set Aside —
Schedule of Rates Yielding Return of 7.4 Per Cent. Not
Justified.**

The Galva Telephone Company filed a revised schedule of rates for service in Galva and vicinity. This schedule of rates had been suspended until March 30, 1919, pending a hearing on the matter by the Commission.

* See Commission Leaflet No. 54, p. 21.

C. L. 89]

Held: That after carefully considering the method used in appraising the plant, and all other factors involved, making due allowance for working capital and including the present stock of materials and supplies, the fair value of the property, used and useful in furnishing telephone service in Galva and vicinity, exclusive of toll plant, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes was \$33,000;

That using the inspection method and the normal life tables, the plant of the applicant was depreciating at the rate of \$2,312 per year, or 6.3 per cent. on the reproduction cost new; therefore, an annual allowance of \$2,300 would be required to provide an adequate reserve for depreciation;

That including in operating expenses an allowance of \$2,300 for reserve for depreciation, the total operating expenses would be \$11,053, whereas the operating revenues under the old rates, including toll revenue properly allocated to the local exchange, were \$10,041, leaving a deficit of \$1,009;

That the proposed rates would produce a probable net increase in operating revenues of approximately \$3,462, assuming that the present number of subscribers' stations was maintained with the distribution and classification probable under the proposed schedule; and this would result in a net annual income of approximately \$2,453, or 7.4 per cent. on the value of the property fixed by the Commission for rate-making purposes;

That the proposed schedule of rates was not justified but a modification thereof, which would increase revenues by approximately \$3,140 and yield an annual net income of \$2,131, 6.4 per cent. on the value of the property, should be approved;

That the applicant should set aside annually to provide a reserve for depreciation, \$2,300 plus 6 per cent. of the cost of all annual additions that may be made to the plant in the future;

That all items of expense having to do with the upkeep of the plant, except those specifically designated in Section 14 "Uniform System of Accounts for Telephone Companies" (Classes C and D), issued by the Commission, should be charged to Account No. 603, "Depreciation of Plant and Equipment."

OPINION AND ORDER.

A revised schedule of rates for telephone service in Galva and vicinity, having been filed by the Galva Telephone Company, and a hearing on the matter before the Commission being deemed necessary, an order was issued suspending the placing in effect of the proposed rates until March 30, 1919.

Telephone Association joining in the aforesaid petition, be, and the same is hereby, authorized to place in effect an increase of 25 cents per month per telephone station, in each and every telephone rate now established in its exchange at New Boston, subject to the following conditions and not otherwise, to-wit:

The increase in telephone rates authorized herein shall be made subject to the establishment of a discount of 25 cents per station per month provided that the service is billed in advance and the monthly rental is paid on or before the fifteenth day of the month in which it is rendered.

It is further ordered, That the New Boston Telephone Company herein authorized to put in effect an increase of 25 cents per station per month, with a like discount of allowance for prompt payment, under the conditions herein stated, shall file, post and publish, in conformity with Section 34, of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* of the Public Utilities Commission of Illinois, a schedule of the rates herein authorized for telephone service, and that such increased rates shall become effective upon the filing of the revised schedule with the Commission, but in no event prior to April 1, 1919.

By order of the Commission, at Springfield, Illinois, this seventeenth day of March, 1919.

In re PROPOSED INCREASES IN RATES OF THE GALVA TELEPHONE COMPANY.

Case No. 8633.

Decided March 18, 1919.

**Increase in Rates Authorized — Discount for Prompt Payment Approved
— Allowance for Reserve for Depreciation Ordered Set Aside —
Schedule of Rates Yielding Return of 7.4 Per Cent. Not
Justified.**

The Galva Telephone Company filed a revised schedule of rates for service in Galva and vicinity. This schedule of rates had been suspended until March 30, 1919, pending a hearing on the matter by the Commission.

* See Commission Leaflet No. 54, p. 21.

C. L. 89]

Held: That after carefully considering the method used in appraising the plant, and all other factors involved, making due allowance for working capital and including the present stock of materials and supplies, the fair value of the property, used and useful in furnishing telephone service in Galva and vicinity, exclusive of toll plant, and the business attached thereto, including every element of value, tangible and intangible, for rate-making purposes was \$33,000;

That using the inspection method and the normal life tables, the plant of the applicant was depreciating at the rate of \$2,312 per year, or 6.3 per cent. on the reproduction cost new; therefore, an annual allowance of \$2,300 would be required to provide an adequate reserve for depreciation;

That including in operating expenses an allowance of \$2,300 for reserve for depreciation, the total operating expenses would be \$11,053, whereas the operating revenues under the old rates, including toll revenue properly allocated to the local exchange, were \$10,044, leaving a deficit of \$1,009;

That the proposed rates would produce a probable net increase in operating revenues of approximately \$3,462, assuming that the present number of subscribers' stations was maintained with the distribution and classification probable under the proposed schedule; and this would result in a net annual income of approximately \$2,453, or 7.4 per cent. on the value of the property fixed by the Commission for rate-making purposes;

That the proposed schedule of rates was not justified but a modification thereof, which would increase revenues by approximately \$3,140 and yield an annual net income of \$2,131, 6.4 per cent. on the value of the property, should be approved;

That the applicant should set aside annually to provide a reserve for depreciation, \$2,300 plus 6 per cent. of the cost of all annual additions that may be made to the plant in the future;

That all items of expense having to do with the upkeep of the plant, except those specifically designated in Section 14 "Uniform System of Accounts for Telephone Companies" (Classes C and D), issued by the Commission, should be charged to Account No. 603, "Depreciation of Plant and Equipment."

OPINION AND ORDER.

A revised schedule of rates for telephone service in Galva and vicinity, having been filed by the Galva Telephone Company, and a hearing on the matter before the Commission being deemed necessary, an order was issued suspending the placing in effect of the proposed rates until March 30, 1919.

plant was found to be \$2,312, or 6.3 per cent. on the reproduction cost new of the property. The accumulated balance credited to depreciation reserve on December 31, 1917, was \$5,294.57.

After carefully considering all factors affecting the rate of depreciation, the Commission is of the opinion, and finds, that an annual allowance of \$2,300 will be required to provide an adequate reserve against depreciation.

The average annual operating expense for the three-year period ending December 31, 1918, as shown in the annual reports and financial statement filed with the Commission, exclusive of an allowance for depreciation, is \$8,753. With an annual depreciation allowance of \$2,300 included, the total operating expense, therefore, is approximately \$11,053. The annual average operating revenue for the same period, including the toll revenue properly allocated to local revenue, is \$10,044.

Under present rates, therefore, provided the present volume of toll business is maintained, and the allowance for depreciation fixed by the Commission is included in operating expenses, the annual operating result is a deficit of \$1,009.

The proposed rates will produce a probable net increase in operating revenue of approximately \$3,462. Assuming that the present number of subscriber's stations is maintained with the distribution and classification probable under the proposed schedule, a net annual income of approximately \$2,453 will be realized. This is a net annual return of 7.4 per cent on the minimum value of the property as of February 1, 1918, fixed by the Commission for rate-making purposes.

The Commission, after giving due weight to all factors involved, is, therefore, of the opinion, and finds, that the proposed schedule of rates is not justified but that a modification of the proposed schedule will produce an increase in revenue of approximately \$3,140, with an annual income of \$2,131. This is a return of 6.4 per cent. on the minimum value of the property as of February 1, 1918, fixed by the Commission for rate-making purposes.

C. L. 89]

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That rate schedule I. P. U. C. 1 for Galva, and vicinity, of the Galva Telephone Company be, and the same is hereby, permanently suspended.

Section 2. That the Galva Telephone Company, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Galva and vicinity, and to substitute therefor the following modification of the proposed schedule:

	<i>Annual Rates</i>
Individual line business stations.....	\$27 00
Individual line residence stations.....	21 00
Four-party line residence stations.....	18 00
Business extensions	6 00
Residence extensions	6 00
Rural party line stations.....	18 00
Switching stations	6 00
Extension bells, business or residence.....	3 00
Automaphone, in addition to regular rate.....	3 00
Extra listing in directory.....	50
Extra mileage line extending beyond established exchanged area:	
Individual line per quarter mile or fraction thereof.....	3 00
Two-party line per quarter mile or fraction thereof for each subscriber	2 00

A discount of 25 cents per month applies to the rates for business and residence telephones if payment is made monthly at the office of the company on or before the fifteen day of the current month.

A discount of 25 cents per month applies to the rate for rural party line telephones if payment is made quarterly at the office of the company on or before the fifteenth day of the second month in the current quarter.

A discount of \$1.00 applies to the rate for service stations if payment is made annually at the office of the company on or before March 1st for the current year.

Section 3. That the Galva Telephone Company set aside annually to provide a reserve against depreciation, \$2,300 plus 6 per cent. of the cost of all annual additions that may be made to the plant in the future.

Section 4. That all items of expense having to do with the upkeep of the plant, except those specifically designated

plant was found to be \$2,312, or 6.3 per cent. on the reproduction cost new of the property. The accumulated balance credited to depreciation reserve on December 31, 1917, was \$5,294.57.

After carefully considering all factors affecting the rate of depreciation, the Commission is of the opinion, and finds, that an annual allowance of \$2,300 will be required to provide an adequate reserve against depreciation.

The average annual operating expense for the three-year period ending December 31, 1918, as shown in the annual reports and financial statement filed with the Commission, exclusive of an allowance for depreciation, is \$8,753. With an annual depreciation allowance of \$2,300 included, the total operating expense, therefore, is approximately \$11,053. The annual average operating revenue for the same period, including the toll revenue properly allocated to local revenue, is \$10,044.

Under present rates, therefore, provided the present volume of toll business is maintained, and the allowance for depreciation fixed by the Commission is included in operating expenses, the annual operating result is a deficit of \$1,009.

The proposed rates will produce a probable net increase in operating revenue of approximately \$3,462. Assuming that the present number of subscriber's stations is maintained with the distribution and classification probable under the proposed schedule, a net annual income of approximately \$2,453 will be realized. This is a net annual return of 7.4 per cent on the minimum value of the property as of February 1, 1918, fixed by the Commission for rate-making purposes.

The Commission, after giving due weight to all factors involved, is, therefore, of the opinion, and finds, that the proposed schedule of rates is not justified but that a modification of the proposed schedule will produce an increase in revenue of approximately \$3,140, with an annual income of \$2,131. This is a return of 6.4 per cent. on the minimum value of the property as of February 1, 1918, fixed by the Commission for rate-making purposes.

C. L. 89]

It is, therefore, ordered by the Public Utilities Commission of Illinois, as follows:

Section 1. That rate schedule I. P. U. C. 1 for Galva, and vicinity, of the Galva Telephone Company be, and the same is hereby, permanently suspended.

Section 2. That the Galva Telephone Company, be, and the same is hereby, authorized to discontinue the schedule of rates now in effect in Galva and vicinity, and to substitute therefor the following modification of the proposed schedule:

	<i>Annual Rates</i>
Individual line business stations.....	\$27 00
Individual line residence stations.....	21 00
Four-party line residence stations.....	18 00
Business extensions	6 00
Residence extensions	6 00
Rural party line stations.....	18 00
Switching stations	6 00
Extension bells, business or residence.....	3 00
Automaphone, in addition to regular rate.....	3 00
Extra listing in directory.....	50
Extra mileage line extending beyond established exchanged area:	
Individual line per quarter mile or fraction thereof.....	3 00
Two-party line per quarter mile or fraction thereof for each subscriber	2 00

A discount of 25 cents per month applies to the rates for business and residence telephones if payment is made monthly at the office of the company on or before the fifteen day of the current month.

A discount of 25 cents per month applies to the rate for rural party line telephones if payment is made quarterly at the office of the company on or before the fifteenth day of the second month in the current quarter.

A discount of \$1.00 applies to the rate for service stations if payment is made annually at the office of the company on or before March 1st for the current year.

Section 3. That the Galva Telephone Company set aside annually to provide a reserve against depreciation, \$2,300 plus 6 per cent. of the cost of all annual additions that may be made to the plant in the future.

Section 4. That all items of expense having to do with the upkeep of the plant, except those specifically designated

in Section 14, "Uniform System of Accounts for Telephone Companies," (Classes C and D), issued by the Commission, shall be charged to Account No. 603, "Depreciation of Plant and Equipment."

Section 5. That the schedule of rates authorized herein shall be filed, posted and published by the Galva Telephone Company in conformity with Section 34 of the Act to Provide for the Regulation of Public Utilities, now in effect in Illinois, and with General Order No. 28* of the Public Utilities Commission of Illinois, and that it shall be known as Rate Schedule I. P. U. C. 2, and shall become effective April 1, 1919.

By order of the Commission, at Springfield, Illinois, this eighteenth day of March, 1919.†

* See Commission Leaflet No. 54, p. 21.

† In *Application of Findlay Mutual Telephone Company* (No. 8727, March 19, 1919), the Commission authorized increase of rates which would yield 6.5 per cent. on the value of the property but disapproved the proposed schedule of rates which would produce a return of 17.2 per cent. on the value of the property. In *Application of Citizens Mutual Telephone Company* (No. 8236, March 19, 1919), the Commission authorized an increase which would yield a return of 6.3 per cent. on fair value of the property after finding unjustified a schedule of rates which would yield a return of 8 per cent. In *Application of Keithsburg Telephone Exchange Company* (No. 8613, March 18, 1919), the Commission authorized an increase in rates which would yield a return of 6.1 per cent., after refusing to approve the proposed schedule of rates which would yield a rate of return of 8 per cent. In *Application of Martinsville Telephone Company* (No. 8577, March 17, 1919), the Commission authorized an increase in rates which would yield a return of 5.9 per cent. on the value of the property but disapproved, the proposed schedule which would produce a return of 10.2 per cent. on the value of the property.

In re APPLICATION OF INDEPENDENT TELEGRAPH AND TELEPHONE COMPANY FOR AUTHORITY TO ISSUE BONDS.

Case No. 8904.

Decided March 18, 1919.

Execution of Deed of Trust by Domestic Corporation and Issue of 6 Per Cent. Mortgage Bonds Thereunder for Refunding of Outstanding Bonds and for Acquisition of Property, Authorized.

OPINION AND ORDER.

Application having been made to the Public Utilities Commission of Illinois by the Independent Telegraph and Telephone Company for an order authorizing the issue by said company of its first mortgage 6 per cent. gold bonds in the aggregate amount of \$13,500, and the execution of a deed of trust to Sangamon Loan and Trust Company of Springfield, Illinois, Trustee, to secure said bonds, and a hearing having been held thereon and the petitioner having presented its evidence and the matter having been submitted to the Commission for disposition, it appears,

That on March 1, 1909, the petitioner herein executed a trust deed to the Western Trust and Savings Bank as trustee to secure an issue of 6 per cent. gold bonds in the aggregate amount of \$15,000, payable March 1, 1909; that bonds in the aggregate amount of \$15,000, par value, were issued pursuant to the terms of the aforesaid trust deed and that \$3,200, par amount, of said bonds have been retired and cancelled since the date of issue thereof by the use of moneys derived from the income of the company;

That the petitioner now desires the consent and approval of the Commission to the execution of a new first deed of trust and to the issue thereunder of \$13,500, par amount, of 6 per cent. gold bonds, to be dated March 1, 1919, maturing March 1, 1929, the proceeds from the sale of which shall be used to retire the remaining \$11,800 of bonds outstanding of the aforesaid prior issue and to acquire certain property in the city of Nauvoo for the use of the company as an office building.

The Commission having considered the evidence submitted and being fully advised in the premises, and being

of the opinion that the moneys and property to be procured by the execution of deed of trust and the issue of bonds thereunder, as prayed for, are reasonably required for the purposes herein stated and not reasonably chargeable to operating expense or to income, finds that the application of the petitioner should be granted.

It is, therefore, ordered, That the Independent Telegraph and Telephone Company be, and it is hereby, authorized to execute a deed of trust to the Sangamon Loan and Trust Company of Springfield, Illinois, Trustee, substantially in the form as submitted and attached to the petitioner's application herein, securing an issue of bonds not exceeding \$13,500.

It is further ordered, That the petitioner be, and it is hereby, authorized to issue its first mortgage loan 6 per cent. gold bonds in the aggregate amount of \$13,500, to be dated March 1, 1919, maturing March 1, 1929, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, pursuant to the terms and conditions of the afore-said deed of trust to the Sangamon Loan and Trust Company of Springfield, Illinois, Trustee.

It is further ordered, That the authority to issue said bonds be, and the same is, granted upon the following conditions and not otherwise:

1. That the said company shall sell the bonds herein authorized to be issued, so as to net the company not less than the par value thereof, besides accrued interest thereon, and shall apply the proceeds thereof to the following purposes only:

(a) For the discharge or lawful refunding of bonds now outstanding of a prior issue, maturing March 1, 1919.	\$11,800
(b) For the acquisition of property.....	1,700
TOTAL	\$13,500

2. That the said company shall keep separate, true and accurate accounts covering the issue and deposition of the securities herein authorized to be issued and thirty days after the date of this order and at the end of every thirty days thereafter, so long as may be necessary, the petitioner

C. L. 89]

shall file with this Commission a verified report (in duplicate), showing in detail the sale or sales of said securities herein authorized, the moneys derived therefrom and the use, application and disposition of said moneys; and all said accounts, vouchers and records shall be kept open to audit and may be audited from time to time by whatever accountants or examiners may be designated by the Commission for that purpose.

3. That the petitioner shall, before the issue and delivery of any of the bonds herein authorized, cause to be printed, stamped or engraved upon the face of each of said bonds, for the proper and easy identification thereof, the following:

PUBLIC UTILITIES COMMISSION OF ILLINOIS

Authorization Number 813.

March, 1919.

It is further ordered, That upon the discharge or payment of the outstanding \$11,800 of bonds, due March 1, 1919, issued under deed of trust dated March 1, 1909, to the Western Trust and Savings Bank, Trustee, the petitioner herein shall cause said trustee to execute a release deed, which shall be recorded in the county in which the property securing said issue of bonds is located, and a verified report thereof made to this Commission.

It is further ordered, That the petitioner shall file with this Commission a certificate of cancellation or cremation of the aforesaid \$11,800 of first mortgage bonds, maturing March 1, 1919, discharged or refunded by the bonds authorized in this order.

It is further ordered, That the Independent Telegraph and Telephone Company be, and it is hereby, charged an amount equal to 10 cents for every one hundred dollars, par value, of bonds authorized by this order to be issued, said charge amounting to \$13.50, and the same shall be paid into the State Treasury before any of said bonds shall be issued.

By order of the Commission, at Springfield, Illinois, this eighteenth day of March, 1919.

INDIANA.

Public Service Commission.

In re APPLICATION OF THE LAFAYETTE TELEPHONE COMPANY
AND RECEIVERS, CENTRAL UNION TELEPHONE COMPANY
FOR APPROVAL OF PURCHASE AND SALE.

No. 3874.

Decided June 21, 1918.

**Consolidation of Competing Exchanges Authorized — Establishment of
Physical Connection for Toll Service Ordered — Routing of Long
Distance Messages to be Determined by Subscriber— No Long
Distance Service to be Discontinued or Impaired.**

The Lafayette Telephone Company sought authority to purchase, and the Receivers, Central Union Telephone Company sought authority to sell, the local exchange property of the Receivers, Central Union Telephone Company, in and near the city of Lafayette and the town of West Lafayette, for \$55,000, cash.

The Commission found that the property to be transferred was reasonably worth \$55,000, that all parties interested conceded that the proposed sale and transfer should be approved, that it was the intention of the Lafayette company, as soon as possible, to make physical connection between the Central Union switchboard and the long distance switchboard of the Lafayette company and to "cut over" the Central Union pay stations to the lines of the Lafayette company.

The city authorities of Lafayette insisted that the sender of a long distance message should have the right to determine how said message should be routed; and further maintained that the Receivers, Central Union Telephone Company should surrender the franchise authorizing that company to operate a local telephone service in the city of Lafayette.

Held: That the consent of the Commission should be given to the purchase by the Lafayette company from the Receivers of the Central Union Telephone Company of the property in question for \$55,000, cash;

That upon completion of said sale, the Lafayette Telephone Company should make physical connection between the Central Union switchboard in Lafayette and the long distance switchboard of the Lafayette company.

That all long distance telephone messages sent by the Lafayette company should be sent, when requested by the sender of such a message, over the lines and route requested;

C. L. 89]

That no long distance service being rendered to any surrounding towns should be discontinued or impaired by either of said petitioners;

That in accordance with the terms of the contract the Central Union Telephone Company and its successors and assigns should not install any substations or telephones within the territory described in said contract except for the sole use of its employees, without first procuring a certificate of necessity from the Commission.

OPINION AND ORDER.

On May 24, 1918, the above-named petitioners filed their joint petition asking consent of this Commission to the sale of certain telephone property controlled by said Receivers in and near the city of Lafayette, and the town of West Lafayette, Indiana, to the Lafayette Telephone Company, which said property is particularly described in an agreement between said parties, a copy of which is filed with the petition. Said petition asks that an order of this Commission be entered approving said sale of said property to said Lafayette Telephone Company, for the sum of \$55,000 cash.

Said cause was set for hearing on June 17, 1918, at 1:30 o'clock P. M. in the rooms of the Commission, State House, Indianapolis. Notice of the time and place of said hearing was given to the mayor and city attorney of the city of Lafayette, to the secretary of the Chamber of Commerce of said city, and to the editors of the Lafayette Journal and Lafayette Courier.

The city of Lafayette filed an answer to said petition, which is as follows:

The city of Lafayette, Indiana, in response to the service upon it of a copy of the petition filed in the above proceeding respectfully submits:

1. That it desires to congratulate the petitioners upon their effort seeking the elimination of the dual local telephone situation in Lafayette, and the city desires to facilitate the accomplishment of such a purpose, provided the rights of the city and of the public are judiciously guarded and preserved.

2. Therefore said city consents to the sale of such property only on the following conditions:

- (a) Central Union Telephone Company holds a franchise from said city under which it has constructed and is now, operating a system of long

distance telephone lines in said city, which connect with other lines of said company outside of such city, which last lines connect with the long distance lines of the American Telephone and Telegraph Company, whereby long distance telephone service is obtainable by the public in said city with all parts of the State of Indiana, the other states of the Union, and adjacent foreign countries.

The city, therefore, objects to such sale unless the Commission approves the same on the conditions:

1. That such long distance lines of Central Union Telephone Company so now and hereafter to be in use in said city, be and kept physically connected with the exchange of Lafayette Telephone Company now located and doing business in said city, or with its lessees, successors or assigns in interest; such physical connection to be so made, operated and maintained that the subscribers to the service of the said Lafayette Telephone Company may have the benefit of such long distance service and lines without discrimination, and subject to the approval and control of the Public Service Commission of Indiana, or such other regulative body as may be provided by law.

2. That the pay stations of the Central Union Telephone Company for long distance service be abolished and that all bills for revenues for long distance service over the lines of such company and its said connecting lines be rendered by and paid to the Lafayette Telephone Company, or its lessees, successors or assigns.

3. That as the Independent long distance telephone lines are now connected with the switchboard of the Lafayette Telephone Company, and the compensation received by it for handling the long distance service over such Independent lines being in excess of the compensation which it will receive, as the city is advised, from the Central Union Telephone Company for handling its business over its long distance lines as contemplated, and in view of the fact that the patron who pays for the service should have the right to select his own routing and lines, the city insists that the Commission shall, if it approves such sale, provide not only the physical connection as above mentioned, but shall also provide that the subscribers to the local service or persons using the pay stations of the Lafayette Telephone Company may route their long distance calls over either the lines of the Central Union Telephone Company or the lines of the Independent long distance telephone company at their election subject to such regulations, if any, as the Commission may deem it wise to impose.

(b) The contract or bill of sale made a part of the petition shows that the Central Union Telephone Company reserves all of the rights and franchises held by it from the city, none of which are to pass by the sale. A copy of the franchise in effect is appended to these objects. Under this franchise the local and long distance lines were constructed and the service is now being operated. The franchise is essential to the continuance

C. L. 89]

of the long distance service with which the city does not desire to interfere except as above suggested. The city, however, does object to the sale of the property unless the franchise, so granted, be surrendered, modified or otherwise disposed of insofar as it authorizes the Central Union Telephone Company or its assigns to hereafter establish or operate local telephone system and exchange in the city. The city doubts the validity of that part of the contract or bill of sale relating to this subject, which reads as follows:

"It is expressly understood and agreed, that, in this instrument, it is not the intention on the part of the grantor to convey, nor the grantee to receive any franchise, license or ordinance rights, or rights given by way of resolution, if any, by any municipality, public or quasi-public corporation whatever, the state or the public.

It is further understood and agreed, that the grantors, their successors, or assigns, shall not install any substations, or telephones within the territory described in "Exhibit A", filed herewith, except for the sole use of their employees, but the grantors, for themselves, their successors and assigns, hereby reserve all rights and privileges conferred by any and all of said franchises, rights, licenses, ordinances and resolutions."

All interested parties should be willing now to make sure that this sale shall be so approved and finally consummated as to prevent a recurrence of the conditions which have induced the parties to compromise their differences and thereby relieve the public of this intolerable situation that now exists in the telephone business in the city. This, in the judgment of the city, will not be accomplished by the approval of this sale on the conditions stated in the bill of sale.

The city, therefore, suggests that the franchise should be so amended as to preserve the rights of the telephone company, and of the city and public; and the city submits and attaches hereto a copy of an ordinance to amend such franchise, which the city will, at an opportune time, submit to the common council of the city for its consideration and adoption, if it meets with approval.

(c) The city also suggests that in case such sale is approved, that a reasonable time be fixed by the Commission within which the readjustment of the long distance service over the Central Union lines shall be completed ready for service.

The evidence in this case shows that the property to be transferred by reason of this sale referred to in this cause is reasonably worth the sum of \$55,000. Mr. D. F. Cuppy, secretary of the Lafayette Telephone Company, testified that if said sale were approved by this Commission, it was the intention of this company, as soon as possible, to make physical connection between the switchboard of the Central

Union Telephone Company and the long distance switchboard of the Lafayette Telephone Company; and that the public pay stations of the Central Union Telephone Company would be taken out or "cut over" to the lines of the Lafayette Telephone Company. He further testified that no long distance service to any surrounding towns will be impaired by said proposed merger.

All parties interested in this proceeding conceded that said proposed sale and transfer should be approved. There are two points upon which the city authorities of the city of Lafayette and the petitioner differ, as to the conditions upon which said transfer should be authorized. The city authorities insist that a sender of a long distance message from Lafayette should have the right to require a long distance message to be sent over the lines of the Central Union Telephone Company or over the lines of the so-called Independent Telephone Company. The petitioners contend that in the interest of efficient service, the routing of long distance messages should be left to the telephone company sending same.

The Central Union Telephone Company holds a local franchise from the city of Lafayette, for the operation of a local telephone service in said city. The city of Lafayette insists that this authority should be surrendered by the amendment of said franchise so as to eliminate such authority from the same.

The Commission is of the opinion that the sender of a long distance telephone message should have the right to direct the route his message shall take. This Commission has no authority to compel a telephone company to surrender its franchise, or to compel it to accept an amendment of its franchise. The Receivers of the Central Union Telephone Company are selling their local exchange plant because it has been constructed and operated at a large loss. The contract of sale in this case contains a proviso that the Central Union Telephone Company, and its successors and assigns, shall not install any substations or telephones within the territory described in said contract, except for the sole use of its employees. The apprehension on the part

C. L. 89]

of the city authorities of said city of Lafayette that the Central Union Telephone Company may, under the terms of its franchise, install another local plant in said city, is more imaginary than real.

It appears that said sale and transfer have been properly authorized by orders of the Superior Court of Cook County, Illinois, and by the Superior Court of Marion County, Indiana. This Commission is of the opinion that it should give its written consent to said sale and transfer of said property referred to in the petition.

It is, therefore, ordered by the Public Service Commission of Indiana, That the consent of this Commission be, and it is hereby, given to the Lafayette Telephone Company, of Lafayette, Indiana, to purchase from the Receivers of the Central Union Telephone Company the property described in the bill of sale filed with, and as a part of, the petition in this case, for the sum of \$55,000 cash.

It is further ordered, That upon completion of said sale, the Lafayette Telephone Company shall make physical connection between the switchboard of the Central Union Telephone Company in the city of Lafayette and the long distance switchboard of the said Lafayette Telephone Company.

It is further ordered, That all long distance telephone messages sent by the Lafayette Telephone Company, shall be sent, when requested by the sender of such a message, over the lines and route requested by such sender.

It is further ordered, That no long distance service, now rendered to any surrounding towns, shall be discontinued or impaired by either of said petitioners.

It is further ordered, That the said Receivers of the Central Union Telephone Company and their successors and assigns shall not engage in the local telephone business in the city of Lafayette and the town of West Lafayette, except to furnish telephone service to their employees, without first procuring a certificate of necessity from this Commission.

June 21, 1918.

In re PETITION OF HOME TELEPHONE COMPANY OF WABASH
FOR INCREASE IN RATES.

No. 3872.

Decided February 15, 1919.

**Modification of Period during Which Increased Rates Might be Charged,
Made.**

MODIFIED ORDER.

The Commission, having under consideration its order* issued in the above-named case, dated January 11, 1919, finds that this order was issued too late for petitioner to make its collections for the month of January, and that, therefore, the effective date of such rates should be changed from January 1, 1919 to February 1, 1919, and that the date of expiration of the same should be changed from January 1, 1920 to February 1, 1920.

The Commission therefore finds that the following provision of said original order:*

"It is further ordered, That these rates shall be effective on and after January 1, 1919 and shall continue in force until January 1, 1920, unless theretofore altered or amended by the Commission."

should be stricken out and that there should be substituted in lieu thereof, the following:

"It is further ordered, That these rates shall be effective on and after February 1, 1919 and shall continue in force until February 1, 1920, unless theretofore altered or amended by the Commission."

It is, therefore, ordered by the Public Service Commission of Indiana, That the provision in the original order herein reading as follows:*

"It is further ordered, That these rates shall be effective on and after January 1, 1919, and shall continue in force until January 1, 1920, unless theretofore altered or amended by the Commission."

be, and the same is hereby stricken out and there is hereby substituted in lieu thereof, the following:

"It is further ordered, That these rates shall be effective on and after February 1, 1919 and shall continue in force until February 1, 1920 unless theretofore altered or amended by the Commission."

February 15, 1919.

* See Commission Leaflet No. 87, p. 943.

In re APPLICATION OF CITIZENS INDEPENDENT TELEPHONE
COMPANY OF TERRE HAUTE AND RECEIVERS, CENTRAL
UNION TELEPHONE COMPANY FOR AUTHORITY TO PUR-
CHASE AND SELL CERTAIN PROPERTY.

No. 4334.

Decided February 24, 1919.

**Consolidation of Competing Exchanges Authorized as Convenience of
Telephone-Using Public would be Served Thereby.**

The Citizens Independent Telephone Company sought authority to purchase, and the Receivers, Central Union Telephone Company sought authority to sell, the Central Union property in Terre Haute and vicinity consisting of local exchange property, together with center-checking toll lines.

Held: That as the sale of said property would result in a unification of the two telephone systems in the city of Terre Haute and as the convenience of the telephone-using public would undoubtedly be served thereby, as a more complete and satisfactory service could be rendered by one company owning and operating both systems than by two companies rendering only a partial service, the proposed purchase and sale should be authorized;

That while the Commission approved the consolidation of the rival systems at Terre Haute and the resultant improvement in service, and also looked with favor upon the plans provided in the agreement between the parties for the ascertainment of the sale value of their properties, it could not in any way bind itself to accept the value so found in determining the amount or character of the securities to be authorized in consummating such consolidation, nor could it make or approve any recommendation regarding the expense of ascertaining such value although such expense could properly be brought before the Commission in any cause subsequently filed, either for authority to issue securities to consummate the sale or for readjustments of rates. At such time the Commission would give proper consideration to these matters.

OPINION AND ORDER.

On the tenth day of January, 1918, the Citizens Independent Telephone Company of Terre Haute, Indiana, an Indiana corporation, and also David R. Forgan, Edgar S. Bloom, Frank F. Fowle and Edward H. Schmidt represent and show to the Public Service Commission of Indiana that they were duly appointed Receivers of the Central Union

Telephone Company for the State of Indiana, by orders of the Superior Court of Marion County, Indiana, entered February 2, 1914, and January 30, 1918, in a suit pending in said court entitled *William A. Read et al. v. Central Union Telephone Company et al.*, said case being No. 93684 in the records of said court, which appointments were made following an order entered January 31, 1914, by the Superior Court of Cook County, Illinois, in a suit pending in said court between the same parties and making a general appointment of Receivers of said Central Union Telephone Company for the States of Illinois, Indiana and Ohio. Said Receivers are now duly qualified and are acting as such Receivers for the property and business of said company.

Said parties now present their joint petition, averring that said Receivers have agreed to sell, and that said Citizens Independent Telephone Company has agreed to purchase — the holders of more than three-fourths of the outstanding capital stock of said company consenting thereto — certain telephone property and appurtenances owned by said Receivers in the city of Terre Haute, Indiana, and in the vicinity thereof, consisting of the local exchange property heretofore operated by said Receivers at said city of Terre Haute, and in the county of Vigo, together with the center-checking toll lines of said Receivers connected with said exchange.

Copies of the petition, with due and timely notices were issued and served upon the proper officials of the city of Terre Haute, Indiana, its newspapers, and Commercial Club, and upon the utilities, that the matters contained in the petition would be heard at the office of the Public Service Commission, State House, Indianapolis, Indiana, at 11:00 A. M., January 24, 1919.

It appears that the Citizens Independent Telephone Company of Terre Haute, Indiana, operates a telephone exchange and system with approximately 8,200 connected subscribers in the city of Terre Haute, with lines to the adjacent territory and some toll lines, and that the Receivers of the Central Union Telephone Company also operate

C. L. 89]

a telephone exchange and system with approximately 5,200 connected subscribers in said city with lines to the adjacent territory and some toll lines.

It appears that the Citizens Independent Telephone Company and the Receivers of the Central Union Telephone Company have agreed on the purchase and sale of the property owned and operated by the Receivers of the Central Union Telephone Company. The form of payment agreed upon by the parties for said property is as follows:

Capital stock of said Citizens Independent Telephone Company is to be issued and delivered to said Receivers in the amount of \$192,700. Said stock is to be accepted by said Receivers at the par value thereof. The Citizens Independent Telephone Company at the present time has an authorized capital stock of \$1,000,000, par value, all of the same being common stock, of which there has been issued and is now outstanding \$289,000, par value, the remainder being in the treasury of said Citizens Independent Telephone Company unissued.

Subject to the appraised value of the property of said Receivers to be sold, first mortgage 5 per cent. bonds of said Citizens Independent Telephone Company are to be issued and delivered to the Receivers in an amount not exceeding the sum of \$379,400, par value. Said bonds are to be accepted by said Receivers at 91½ per cent. of the par value thereof, that being the amortized value of the same as of January 1, 1919; *provided*, however, that said 91½ per cent. shall be increased at the rate of 1/24 of 1 per cent. for each month which the date of the consummation of such purchase and sale is subsequent to January 1, 1919. Said bonds at present are a lien upon only the property now owned by the said Citizens Independent Telephone Company, and are secured by a mortgage dated January 1, 1906, to the Mississippi Valley Trust Company, as trustee, which mortgage has been recorded in Vigo County, Indiana, and was given to secure an issue of bonds in the sum of \$1,000,000, par value, bearing interest at the rate of 5 per cent. per annum, of which amount \$620,000, par value, have been issued, and are now outstanding.

Refunding and extension mortgage 6 per cent: bonds of said Citizens Independent Telephone Company are to be issued and delivered to said Receivers in an amount equal to the difference, if any, between the appraised value of the property of said Receivers proposed to be sold, and the sum total of the par value of the capital stock and the issued percentage of the par value of the first mortgage bonds which are to be issued to said Receivers, as aforesaid. Said bonds are to be accepted by said Receivers at the par value thereof. Authority for the issuance of said refunding extension mortgage bonds must be secured from the Public Service Commission of Indiana.

It appears that the following method has been agreed upon for determining the value at which said property shall be sold:

(1) That appraisal shall be made of the property of the Citizens Independent Telephone Company, and of said Receivers at the city of Terre Haute, Indiana, that is to say, all of the property of each of the parties hereto which is to become the property of the Citizens Independent Telephone Company when the proposed merger shall become complete.

(2) That the valuation of the property of both parties is to be made upon the basis of the cost of reproduction new, less depreciation accrued at the date of the appraisal, by an engineer to be agreed upon by the parties, in conjunction with the chief engineer of said Receivers and the chief engineer of the Citizens Independent Telephone Company, and that in case of a disagreement among them, the decision of the majority of said three engineers is to be final and to be accepted by the parties.

(3) That the compensation and expenses of said joint engineers to be agreed upon by the parties as aforesaid, in connection with the valuation of the properties of both companies, are to be paid or reimbursed by the Citizens Independent Telephone Company after the proposed merger has been completed.

(4) That the valuation to be made by said appraisers shall cover more specifically the following points:

(a) For said Receivers, said appraisal shall cover all the local exchange plant within the Terre Haute exchange area, and the center-checking circuit and toll pole lines.

(b) That certain items are not to be included in the valuation of the Receiver's property, all of which items are clearly set forth in the joint petition filed herein.

(c) For the property of the Citizens Independent Telephone Company, the valuation is to cover all exchange and toll plants, and all

C. L. 89]

other net assets of said company at their actual value at the time of the appraisalment.

(5) The total net amount of stock and bonds to be issued to the Receivers is to bear the same ratio to the depreciated plant value of the property of the Receivers as the total net amount of stock and bonds of said Citizens Independent Telephone Company outstanding at the time of said appraisalment bears to its depreciated plant value, plus all its other net assets at their actual value, exclusive, however, of bonds unissued or in the sinking fund.

It appears that the sale of said property by said Receivers on the terms set forth, and the execution of such instruments, documents, and papers, as may be necessary or advisable in connection with the completion of said sale, have been authorized and directed by proper orders of said Superior Court of Marion County, Indiana, and said Superior Court of Cook County, Illinois.

It further appears that the sale and transfer of said property as contemplated by the agreement of the parties in relation thereto, will be for the best interests of the parties, and of the patrons of petitioners, in and near the city of Terre Haute, Indiana, and is demanded by said patrons. The telephone-using public will undoubtedly be best served by the unification of the two telephone systems in said city. A more complete and satisfactory service can be rendered by one company owning and operating both systems, than by two companies rendering only a partial service. Unification will also make unnecessary further duplication of telephone property and wasteful expenditure of money.

The Public Service Commission having heard the evidence in the above cause and being advised in the premises, finds that the Citizens Independent Telephone Company of Terre Haute should be authorized to purchase the said property of the Receivers of the Central Union Telephone Company, and it will be so ordered, subject to certain reservations.

The petition, however, goes beyond the question of such authority. While the Commission approves of the consolidation of rival systems in Terre Haute, Indiana, and the

resulting improvement of service, and also looks with favor upon the plans provided in the agreement between the parties for the ascertainment of the sale value of their properties, it cannot in any way bind itself to accept the value so found in determining the amount or character of the securities to be authorized in consummating such consolidation. The law provides certain steps that must be taken in such matters.

The Commission likewise cannot make or approve any recommendations regarding the expenses of ascertaining such value, although such expenses properly could be brought before this Commission in any cause subsequently filed, either for authority to issue securities to consummate the sale, or for readjustments of rates. At such time, the Commission would give proper consideration to any expenses incurred in a *bona fide* effort to improve conditions of service.

It is, therefore, ordered by the Public Service Commission of Indiana, That the Receivers of the Central Union Telephone Company be, and they are hereby, authorized to sell, and the Citizens Independent Telephone Company of Terre Haute, Indiana, be, and it is hereby, authorized to purchase the telephone exchange and system of the Central Union Company in Terre Haute, Indiana, but this authorization shall not be construed to fix a price for the sale of said telephone exchange and system, to determine the value of said telephone exchange and system for any purpose, or to grant authority to issue any securities without the further order of the Commission. Final order will be entered herein upon further hearing in this matter.

February 24, 1919.

In re APPLICATION OF FREELANDVILLE COOPERATIVE TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES.

No. 4333.

Decided March 5, 1919.

Increase in Business and Residence Rates Authorized — Advance Payment Approved — Service to be Discontinued if Rentals not Paid by End of Current Month.

OPINION AND ORDER.

On January 9, 1919, the petitioner filed its petition asking for authority to increase its telephone rates. Said cause was set for hearing at the court house in the city of Vincennes on March 3, 1919, at two o'clock P. M.

There was no remonstrance against an increase of rates. Mr. H. J. Schroeder is the principal owner and manager of said telephone system. It furnishes switching service for 240 persons who own their own lines and telephones and keep the same in repair. For these persons petitioner performs a switching service only, the rate for which is 25 cents per month. The petitioner asks that this rate be increased to 60 cents per month for one-party lines and 33 $\frac{1}{3}$ cents per 'phone per month on other party lines.

Petitioner has 110 subscribers connected with its telephone system for which it makes a charge of \$1.00 per month. Its charge to non-subscribers for the use of telephones is 10 cents for each use of a telephone. Of its 110 telephones in use by its subscribers, 20 are business telephones and the remaining 90 are residence telephones. Petitioner asks to increase its rates for business telephones to \$1.50 per month and for residence telephones to \$1.25 per month.

Petitioner's total operating revenues for the year 1918 were \$2,050. The manager testified that the operating expenses outside of his own services were \$546 for this period, practically all of which is for the pay of the day operator. He testified that his services were worth \$75.00

per month. He does all repair work and acts as night operator.

Allowing \$900 per year for Mr. Schroeder's services, the operating expenses as given by him for 1918 would be \$1,446. This would leave for depreciation and return \$604. This would allow 5 per cent. for depreciation and 7 per cent. return on the value of this plant as fixed by its manager, who testified that it was worth \$5,000. In the amount of operating expenses it seems that nothing is allowed for taxes and practically nothing for materials for repairs.

The Commission is of the opinion that petitioner should be authorized to increase its rates to subscribers as follows:

Business telephones, \$1.25 per month per telephone.

Residence telephones, \$1.10 per month per telephone.

and that there should be no change in other rates and charges made by petitioner.

It is, therefore, ordered, That petitioner be, and it is hereby, authorized to put in force from and after April 1, 1919, the following rates, tolls and rules, to-wit:

Business telephones	\$1 25 per month
Residence telephones	1 10 per month
Toll charges to non-subscribers.....	10 per call
Switching service, for each telephone.....	25 per month

RULES

RULE 1. All rentals are due and payable on the first of each month in advance, and if rental is not paid by the end of the calendar month service will be discontinued.

RULE 2. The exchange will be closed at nine o'clock A. M., except for calls for physicians or other important business.

March 5, 1919.

C. L. 89]

In re PETITION OF THE MONTICELLO TELEPHONE COMPANY
FOR AUTHORITY TO DISCONTINUE ITS BUFFALO EXCHANGE.

No. 4375.

Decided March 5, 1919.

**Discontinuance of Exchange Authorized — Continuance of Physical
Connection for Toll Service Ordered.**

OPINION AND ORDER.

On February 5, 1919, the Monticello Telephone Company filed with the Public Service Commission the following petition, to-wit:

The petitioner, The Monticello Telephone Company, owns and operates a telephone system at Buffalo, Indiana, with lines extending in and around the rural district of Buffalo, and at the present time having a total of twenty telephones.

The exchange has not paid operating expenses as you will see from our financial statement herewith submitted, which shows the receipts and expenses for the past three years.

This condition was brought about by the farmers in 1914 building a cooperative telephone system, thus duplicating our plant and causing a loss in our subscribers' stations to a point where it will not pay operating expenses.

The petitioner having suffered a financial loss for the past three years, now asks that you grant it the authority to abandon, dismantle and sell the Buffalo telephone system.

The petitioner further says that it has toll line connections with the Citizens Telephone Company through its Buffalo exchange, by a trunking line between the two exchanges and now asks that a direct connection be made with its toll line at Buffalo.

The subscribers of the Monticello exchange at Buffalo can be served with telephone service by the Citizens Telephone Company.

Said cause was set for hearing on February 28, 1919, at the City Hall in Monticello, Indiana, at ten o'clock A. M. Notice of said hearing was given by newspaper publication in said city. Notice was also served upon the Citizens Telephone Company of Monticello. *Judge T. F. Palmer*, appearing for the Citizens Telephone Company, stated that said company had no objection to the granting of the prayer of the petitioner provided the exchange toll rates

between said telephone companies was not disturbed. There was no remonstrance filed.

The evidence showed that there are only twenty-two subscribers connected with said Buffalo telephone exchange. The operating expenses of this exchange during the past three years have exceeded the revenues received by approximately \$1,500. The evidence disclosed the fact that each of said twenty-two subscribers can be accommodated with telephone service by the Citizens Telephone Company of Monticello.

The Commission is of the opinion that said petitioner should be authorized to discontinue and dismantle its telephone exchange at the said village of Buffalo.

It appears that petitioner and the said Citizens Telephone Company have toll line connection through the said Buffalo exchange. This connection should be retained by a direct connection of said toll line instead of through said Buffalo exchange.

It is, therefore, ordered, That petitioner be, and it is hereby, authorized to discontinue its telephone exchange and service at Buffalo and to dismantle said property.

It is further ordered, That the petitioner and the Citizens Telephone Company shall make direct connection of their toll lines at said village of Buffalo, instead of the connection at present through said exchange at said village.

It is further ordered, That the present rates and tolls for long distance service and the division of such tolls between said telephone companies shall not be changed or disturbed.

March 5, 1919.

MINNESOTA.

Railroad and Warehouse Commission.

In re APPLICATION OF THE VILLAGE OF FROST FOR AN INDETERMINATE PERMIT TO OPERATE A LOCAL TELEPHONE EXCHANGE WITHIN THE CORPORATE LIMITS OF THE VILLAGE.

Decided March 11, 1919.

Village Granted Indeterminate Permit to Operate Local Telephone Exchange.

OPINION AND ORDER.

Pursuant to notice, hearing in the above matter was held at Frost, Minnesota, Friday, March 7, 1919, *I. A. Hanson*, mayor, and *T. Dahlen*, recorder, appearing for the village. There were also present other members of the village council and approximately one hundred farmers, who reside in the vicinity of the village, but no objection to the granting of an indeterminate permit to the village was offered.

A number of years ago, several cooperative rural telephone companies were organized in the vicinity of Frost, and in order to obtain telephone service with the village, made arrangements with one *J. R. Lee*, who purchased a switchboard and performed switching service for the rural lines. A short time later, approximately forty telephones within the village were served from the same switchboard. During the year 1918, the village acquired ownership of the switchboard and certain of the outside plant in accordance with the provisions of Section 16, Chapter 152, General Laws of 1915. In January, 1919, because of unsatisfactory service and a disagreement relative to the terms for the switching of rural lines, all of the cooperative rural telephone companies disconnected their lines from the village switchboard and established a central office outside of the corporate limits of the village. Although certain subscribers within the village were originally served from lines of the rural companies, having voluntarily withdrawn

from the village, it cannot be said that they are now furnishing local telephone service within the village. The village through its council proposes to immediately construct a new outside plant so as to enable it to furnish adequate telephone service to the residents and business firms within the village and will serve such rural line companies upon a switching basis as may desire service with the village. The former arrangement for telephone service within the village and to the rural telephone users within the vicinity of Frost was very unsatisfactory, and the steps taken by the village will provide proper and adequate facilities for the furnishing of telephone service to both the residents within the corporate limits of the village, as well as to farmers in the community.

It is, therefore, ordered, That the village of Frost, Faribault County, Minnesota, be, and the same is hereby granted an indeterminate permit to operate a local telephone exchange within the village of Frost, Faribault County, Minnesota, under and subject to all the terms, conditions and limitations of Chapter 152, General Laws of 1915.

Dated at St. Paul, Minnesota, this eleventh day of March, 1919.

MISSOURI.

Public Service Commission.

**ARTHUR H. KIENINGER v. FARMERS MUTUAL TELEPHONE
COMPANY OF POCAHONTAS.**

Case No. 1897.

Decided March 20, 1919.

**Discrimination in Enforcement of Rule Prohibiting Use of German
Language Ordered Eliminated—Stipulation to That
Effect Entered.**

FINDINGS AND ORDER.

This is a complaint filed by Arthur H. Kieninger of Jackson, Missouri, in behalf of himself and several neighbors, against the Farmers Mutual Telephone Company, complaining of a discrimination in that certain parties were permitted to use the telephone lines and switchboards of the defendant for the purpose of conversing in the German language, while others were prohibited from such use and were penalized when the lines were so used.

Full answer was made by the defendant, containing a general denial, when the matter was thereupon set for hearing at Cape Girardeau, Missouri, before Special Examiner Bee.

Some evidence was taken which developed that, effective August 1, 1918, the defendant by and through its board of directors adopted a rule, which in effect provided that conversations through the switchboard of the defendant company located at Pocahontas, Missouri, should not be conducted in any language but English, except by persons who cannot converse in that language, and that the complainant and other parties had violated such rule and as a result thereof, such parties were being refused further service through said exchange. It also appeared from the testimony that the German language was being spoken through said exchange by other persons than the com-

plainant in violation of said rules and that penalties had not been assessed, although the evidence did not show that the defendant was advised of said violations.

There appeared to be no objection to the rule, as framed, but only as to its enforcement, and as a settlement of the case at issue, the following stipulation was entered of record:

"The Farmers Mutual Telephone Company of Pocahontas, Missouri, defendant herein, will restore to service, through its exchange, all parties who have been disconnected or refused service because of the use of the German language over telephone where such conversation passed through such switchboard, and that in the future the Farmers Mutual Telephone Company of Pocahontas, Missouri, defendant herein, will cease all discrimination between its users and will enforce all of its rules fairly and equitably as between all of its subscribers or members."

That this cause being at issue upon complaint and answer and stipulation having been entered of record, and the Commission being fully informed in the premises,

It is ordered, 1. That the defendant, the Farmers Mutual Telephone Company of Pocahontas, Missouri, shall restore its services to all of its subscribers or members who have been disconnected or denied services since August 1, 1918, by reason of said subscribers or members refusing to comply with the rules of said company relative to the use of any language but English for the purpose of conducting telephonic conversation over lines passing through its exchange.

Ordered, 2. That in the future the Farmers Mutual Telephone Company of Pocahontas, Missouri, defendant herein, be, and it is hereby, ordered to cease all discrimination between its subscribers or members, and to enforce all of its rules and regulations fairly and equitably between its subscribers or members.

Ordered, 3. That this order shall be in full force and effect on and after the first day of April, 1919.

Ordered, 4. That a certified copy of this order be served upon the defendant, the Farmers Mutual Telephone Company of Pocahontas, Missouri, and upon all other parties

APPLICATION OF CLOVER LEAF TELEPHONE Co, 1629

C. L. 89]

hereto, and the defendant, the Farmers Mutual Telephone Company of Pocahtontas, Missouri, shall notify the Commission within ten days after the receipt of a certified copy of this order if same will be accepted and obeyed.

March 20, 1919.

In re APPLICATION OF THE CLOVER LEAF TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

Case No. 1508.

Decided March 21, 1919.

**Extension of Time Within Which Increased Rates Should be Charged,
Granted.**

SUPPLEMENTAL ORDER NO. 1.

It appearing that the Commission, after due investigation, and after the company named above had submitted satisfactory evidence that certain of its rates for telephone service contained in its P. S. C. Mo. No. 1, at its exchange at Lathrop, Missouri, were inadequate, unjust and unreasonable, by its order of record in the above-entitled cause did on March 27, 1918, permit the said company to put certain increased rates into effect for a period of one year, from April 1, 1918, to April 1, 1919, and,

It further appearing that any and all increases in rates authorized or permitted in the order in this cause issued March 27, 1918, were to remain in effect for a period beginning April 1, 1918, and ending April 1, 1919, for telephone service, at the end of which temporary period such increase of rates should without further order cease, and the rates of said company should then be reduced and restored by said company to the rates then on file or charged by it on March 31, 1918; *provided*, that the Commission might thereafter by further order continue such increase of rates for another or further period, or otherwise change or modify the rates of said company, and that the said company was required to keep a full and accurate account of the revenues and expenses of its plant, and file a full and

complete record thereof with this Commission at the expiration of such period of one year beginning April 1, 1918, and ending April 1, 1919, and,

It now appearing that the company shows by its verified report for the eleven months ending February 28, 1919, that its revenues from operation have been sufficient to allow 7 per cent. for depreciation and rate of return on a valuation of \$23,742.02, and it also appearing that the operating costs of the company have not been materially reduced during the period covered by the above-named report.

Therefore, it is, ordered, 1. That the Clover Leaf Telephone Company be permitted to continue the rates allowed to be charged in the order of March 27, 1918, for a further period of one year from April 1, 1919, until March 31, 1920, under certain terms and conditions.

Ordered, 2. That any and all increase of rates herein authorized or permitted over and above the rates in effect on March 31, 1918, shall remain in effect for a further period of one year only, beginning April 1, 1919, and ending March 31, 1920, at the end of which yearly period such increased rates shall, without further order, cease, and the rates of said company shall be reduced and restored by said company to the rates on file and in effect on March 31, 1918, *provided*, that the Commission may hereafter, by further order, continue such increase of rates for another or further period, or otherwise change or modify the rates of said company.

Ordered, 3. That said company be required to keep a full and accurate account of the revenues and expenses of its plant and file a full and complete verified report thereof with this Commission at the expiration of said period of one year beginning April 1, 1919, and ending March 31, 1920, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject-matter of this cause, to continue, change or modify the rates of said company upon the expiration of said period of one year, or at any

C. L. 89]

other time, upon the reports, evidence and facts now before the Commission, together with such other reports, evidence or facts as the company or any interested party may offer.

Ordered, 4. That this order shall take effect on April 1, 1919, and that the Secretary of the Commission shall forthwith serve upon the parties hereto a certified copy of this order, and that the company shall on or before the tenth day of April, 1919, notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

March 21, 1919.*

In re SUSPENSION OF RATES OF THE GOLDEN CITY TELEPHONE COMPANY.

Case No. 1882.

Decided March 21, 1919.

Increase in Rates Authorized for Period of One Year.

OPINION AND ORDER.

The Golden City Telephone Company, owned and operated by George Harberle, having filed its P. S. C. Mo. No. 3, cancelling its P. S. C. Mo. No. 1, the same being a schedule of proposed increased rates for telephone service at the exchange of said company at Golden City, Missouri, the same to become effective January 1, 1919, and the Commission on December 16, 1918, having entered its order suspending the effective date of such schedule for a period of one hundred and twenty days, to and including April 30, 1919, unless otherwise ordered by the Commission, and

*On the same date similar orders were issued authorizing the following companies to keep in effect their increased rates until March 31, 1920:

Bunceton Independent Telephone Company.....	No. 1509
Waverly Telephone Company.....	No. 1510
Albany Telephone Company	No. 1511
Southwestern Bell Telephone Company.....	No. 1512

after due notice to the mayor of said Golden City of the time and place, a hearing having been held at the court house at Lamar, Missouri, on March 20, 1919, at one o'clock P. M. before one of the Commissioners, and said company then and there having appeared by said George Harberle, an investigation into the reasonableness and necessity for such increased rates was made.

It appeared from the evidence that the applicant is asking for an increase of 50 cents per month in the rate for business telephones, both direct line and desk set, and an increase from \$4.00 to \$5.00 per year for Class A switching through applicant's exchange at Dudenville, and an increase from \$3.00 to \$5.00 per year for rural switching, in both cases the subscribers owning the lines and instruments and all equipment; an increase from \$12.00 to \$15.00 per year in the rate for Class B business telephones, and from \$10.00 to \$12.00 per year for Class B residence telephones, the lines and instruments being owned by the applicant; and an increase from \$6.00 to \$8.00 per year in the rates for Class C residence telephones where the applicant owns the line and the subscriber owns the instrument.

And, it further appearing that the revenue derived from the present rates for a period of one year immediately preceding the filing of such schedule amounted to \$4,331.50, and that the estimated revenues from the proposed rates will amount to the sum of \$5,184.50, for one year, or an increase of \$853.00 per annum over the present exchange revenues; and, it further appearing that the actual operating expenses of applicant for a period of one year before the filing of the schedule under suspension amounted to the sum of \$4,739.28, leaving an actual deficit for the past year in the sum of \$92.18 after taking into consideration toll commissions and non-subscribers' tolls in the sum of \$315.60, and that, after such increase, assuming that no telephone service will be discontinued, the applicant will receive the sum of \$760.82 in excess of its operating expenses, applicable to depreciation and return upon its investment; and, it appearing further that said sum of \$760.82 is not more than a reasonable and adequate return

C. L. 89]

upon the investment of said company of an undoubted value of over \$6,000, and estimated by the applicant at \$12,600, the Commission finds that such rates and charges for telephone service at Golden City, Missouri, proposed in said suspended schedule are reasonable and just and should be allowed to become effective.

Therefore, the Commission being fully advised in the premises and after due deliberation,

It is ordered, 1. That the order of the Commission suspending said P. S. C. Mo. No. 3, cancelling said P. S. C. Mo. No. 1, entered on December 16, 1918, be, and the same is hereby, set aside and vacated, and the rates and charges provided for in said schedule be permitted to become effective.

Ordered, 2. That any and all increase of rates herein authorized or permitted shall remain in effect for a period of one year only from and after the effective date of this order, at the end of which yearly period such increase of rates shall without further notice, cease, and the rates and charges of said Golden City Telephone Company shall then be reduced and restored by said company to the rates now on file or charged by it; *provided*, that the Commission may hereafter by further order continue such increase in rates and charges for another or further period, or otherwise change or modify the rates and charges of said Golden City Telephone Company.

Ordered, 3. That the said Golden City Telephone Company be required to keep a full and accurate account of the revenues and expenses of its plant and file a full and complete report thereof with this Commission at the expiration of said period of one year after the effective date of this order, which report shall be in addition to any other reports required by law; and that the Commission fully retain jurisdiction of the parties and subject-matter of this cause to continue, change or modify the rates of said Golden City Telephone Company upon the expiration of said period of one year after the effective date of this order, or at any other time, upon the evidence and facts

now before the Commission, together with such other evidence as the Golden City Telephone Company or any interested party may offer.

Ordered, 5. That this order shall take effect on April 1, 1919, and that the Secretary of the Commission shall forthwith serve upon the parties hereto, and upon the Honorable A. S. Burleson, Director General of Telegraphs and Telephones, a certified copy of this order and that the Golden City Telephone Company shall, on or before the effective date notify the Commission in the manner prescribed in Section 25 of the Public Service Commission Law, whether the terms of this order are accepted and will be obeyed.

March 21, 1919.

In re COMPLAINT OF COMMISSION UPON ITS OWN MOTION
AGAINST BLAND TELEPHONE COMPANY FOR FAILING TO
FURNISH SERVICE TO CHICAGO, ROCK ISLAND AND PACIFIC
RAILWAY COMPANY AT ITS STATION IN BLAND.

Case No. 2011.

*Decided April 16, 1919.**

Telephone Company Ordered to Install Instrument in Railroad Station.

ORDER.

It appearing to the Commission that said E. H. Aufder Heide, is the owner and operator for hire of a telephone system and exchange at the town or city of Bland, Missouri, and is doing business under the name and style of Bland Telephone Company, or under the name and style of Bland Telephone Central, and is a telephone company under and subject to the provisions of the Public Service Commission Law of Missouri, and that said E. H. Aufder Heide, owner of and doing business as such telephone company, has wholly, unreasonably and arbitrarily failed, omitted and refused, and is now so failing, omitting and

* Original order of April 3, 1919, as amended by orders of April 4, 1919, and April 16, 1919.

C. L. 89]

refusing to furnish telephone service to the Chicago, Rock Island and Pacific Railway Company at its depot in the town of Bland, although requested so to do; and the Commission being of the opinion that reasonable and adequate telephone service should be furnished by the Bland Telephone Company to the Chicago, Rock Island and Pacific Railway Company at its said depot, and the matters herein complained of being shown to the Commission by informal complaints heretofore made, and by the written communications of the said E. H. Aufder Heide, the Commission therefore, of its own motion, and upon the information before it, makes formal complaint of the matters foregoing, and after due consideration

It is ordered, 1. That the said E. H. Aufder Heide, as owner and operator of the Bland Telephone System and Exchange at Bland, Missouri, on or before the thirtieth day of April, 1919, proceed to install within the depot of the Chicago, Rock Island and Pacific Railway Company at the town of Bland, a proper instrument, and to connect the same with the central station or exchange of said telephone system, and to furnish reasonable and adequate telephone service thereon in accordance with the Public Service Commission Law, and with the rates and schedules on file with and prescribed by the Commission.

Ordered, 2. That said E. H. Aufder Heide be served forthwith by the Secretary of the Commission with a copy of this complaint and order, and required to satisfy the same, or make answer in writing to the charges herein made on or before the said thirtieth day of April, 1919.

Ordered, 3. That this order shall be effective on and after this date.*

April 16, 1919.

* Original order, entered April 3, 1919, modified by order of April 4, 1919, substituting the words "Chicago, Rock Island and Pacific Railway Company" for "Rock Island Railroad Company," and by order of April 16, 1919, substituting the name "E. H. Aufder Heide" for "A. F. Aufderheide."

NEBRASKA.

State Railway Commission.

In re APPLICATION OF KENESAW TELEPHONE COMPANY FOR
AUTHORITY TO ISSUE STOCK.

Application No. 3451.

Decided February 28, 1919.

**Issue of Stock by Domestic Corporation Authorized — Distribution of
Same Among Stockholders Approved — Dividends to be
Limited to 8 Per Cent.**

Applicant sought authority to issue \$7,000 of additional stock for the purpose of equalizing the outstanding capital with the actual investment in the company, the new stock to be used as compensation for services performed in the past, but for which no compensation had ever been allowed by the company.

Held: That when the company was organized, there was no state regulation of rates and service, nor were the fundamental principles of rate regulation established. The business of a public utility was looked upon very much as any other business, and in the first stages of development, before the telephone had become a public necessity, and when it was not known what the cost of operation would be, men were content to accept nominal compensation, or no compensation at all, letting the money to which they might be entitled go back into the property confidently expecting to recover in the future, either through sale or capitalization, the reward for their early sacrifices. So long as they were sure that the surplus earnings were going into the property they had no fear of being able to realize on their actual investment ultimately, nor were they very solicitous about keeping accurate accounts of these matters, trusting to the surplus in the property to finally reimburse them. However, as the Commission had now adopted the investment basis as the main factor in the valuation for rate or capitalization purposes, it had become highly essential to know how much of the surplus produced by the rates actually belonged to the stockholders;

That upon full consideration of the evidence submitted, the claim of \$7,000 as made by the applicant, was not justified, but some allowance should be made for services performed and not paid for, and for this purpose a sum of \$3,500 would be approved and stock in the value of \$3,500, together with the stock outstanding, should represent, at the par

C. L. 89]

value thereof, the entire interests of the stockholders in and to the property held by the company;

That the stockholders are entitled to no more than a reasonable return upon the par value of the shares of stock held by them, and a reasonable return at this time and under the circumstances of this case is 8 per cent. per annum;

That the issue of additional stock in the amount of \$3,500 would increase the capitalization to \$13,425, slightly more than the present value as estimated by the Commission's engineers and about \$2,000 less than that claimed by the company. However, if to the present value of the physical property there were added the other assets, the stock authorized would be well within the total assets of the company;

Applicant should be authorized to issue \$3,500, par value, of stock, and distribute the same to the stockholders of record in such proportion as might be mutually agreed upon by the company and the stockholders, subject to the following conditions: (a) that the beneficial interests of the stockholders of the company in and to the property held by the company should be limited in value to the par value of the capital stock outstanding and in force, and dividends should be limited to 8 per cent. per annum; (b) that the beneficial interests in the remainder of the property held by the company should be in the patrons of the company, the company to hold and administer all the property as heretofore in such manner as to insure its maintenance and serviceability according to modern standards and the payment of a reasonable return to the stockholders of the company.

OPINION.

This company was organized in 1904 with an authorized capital of \$10,000, which was later increased to \$20,000. Stock was sold from time to time until at the present time there is outstanding \$9,935. Dividends averaging slightly over 8 per cent. annually have been paid on the stock outstanding since the company was organized. Application is now made for authority to issue additional stock in the amount of \$7,000 for the purpose of equalizing the outstanding capital with the actual investment in the company, the new stock to be used as compensation for services performed in the past, but for which it is alleged no compensation was ever allowed by the company.

The property investment as shown by the books of the company is now \$15,617. The company submits an inventory of its property as of December 31, 1917, which shows

a present value of physical property of \$15,445.30. In addition to that, the company has cash on hand of \$3,200 and bills receivable of \$2,030, making total assets of approximately \$20,000. The Commission's engineering department took the inventory submitted by the company and applying its units of cost to the same finds a reproduction value of \$20,011.20 and a present or depreciated value of \$12,722.36. The latter figure is reached without personal inspection of the property by our engineers and is but an estimate. The company now makes application for stock to cover services performed by the various officers since the organization and for which services no compensation has been paid. It is shown that the salaries paid to directors and officers from the beginning down to the date of this application amounted in the aggregate to \$3,520, the itemized statement being as follows:

Paid to directors for attending meetings, at \$1.00, each, from January 1, 1914, to June 30, 1918.....	\$274 00
1904 Paid secretary 20 cents per hour for actual time.....	36 00
1905 Paid secretary for entire year.....	100 00
1906 Paid secretary \$10.00 per month.....	120 00
1907 Paid secretary \$15.00 per month.....	180 00
1908 Paid secretary \$10.00 per month.....	120 00
1909 Paid secretary \$10.00 per month.....	120 00
1910 Paid secretary \$10.00 per month.....	120 00
1911 Paid secretary \$10.00 per month.....	120 00
1912 Paid secretary \$15.00 per month.....	180 00
1913 Paid secretary \$15.00 per month.....	180 00
1914 Paid secretary \$15.00 per month.....	180 00
1915 Paid secretary \$15.00 per month to June 30.....	90 00
1916 Paid secretary and president \$25.00 each from July 1, 1915 to June 30, 1918.....	1,500 00
In May, 1908, all directors received as payment for services rendered 8 shares of company stock, par value \$25.00 total	200 00
TOTAL PAID TO ALL OFFICERS OF COMPANY.....	\$3,520 00

C. L. 89]

As a basis for their claim of \$7,000 the following claim as to salaries is submitted:

For nine-month period from March 1, 1904, to January 1, 1905, salary for president and secretary at \$30.00 each per month, \$270	\$540 00
Salary of president and manager at \$30.00 per month, or \$360 per year, from January 1, 1905, to January 1, 1919..	5,040 00
Salary of secretary and treasurer for same period, same salary	5,040 00
	<hr/>
	\$10,620 00
Total amount received for above specified time.....	3,520 00
	<hr/>
Balance due	\$7,100 00

It will be noted that applicant asks for compensation for the president and secretary at the rate of \$30.00 per month from the date of the organization of the company down to the present time. To review the history of a telephone company such as this and attempt to accurately determine what should have been paid its officers for their services is a difficult task. Conditions to-day are greatly different than they were fifteen years ago when the company began business. Salaries adequate then are entirely inadequate now, but before a definite determination is possible a complete knowledge of all of the circumstances under which the service was performed is essential and such information is always difficult to secure and equally difficult to measure, ten or fifteen years after the service has been rendered. It is frequently urged in connection with claims of this character, that the best measure of the value of a man's service is the price which he himself sets upon it and for which he has been content to do the work. Ordinarily that is true, but in a case such as this it cannot be accepted as the sole guide. When this company was organized there was no state regulation of rates and service nor were the fundamental principles of rate regulation established. The business of a public utility was looked upon very much as any other business. In the first stages of development,

before the telephone had become a public necessity and when it was not known what the cost of operation would be, men were content to accept nominal compensation, or no compensation at all, letting the money to which they might be entitled go back into the property, confidently expecting to recover in the future, either through sale or capitalization, the reward for their early sacrifices. So long as they were assured that the surplus earnings were going into the property they had no fear of being able to realize on their actual investment ultimately, nor were they very solicitous about keeping accurate records of these matters, trusting to the surplus in the property to finally reimburse them. Now that this Commission has adopted the investment basis as the main factor in a valuation for rate or capitalization purposes, it has become highly essential to know how much of the surplus produced by the rates actually belongs to the stockholders and they, as well as the Commission, are concerned in measuring it as definitely as possible. It goes without saying that had the same policy been in effect from the first there probably would have been a different method of conducting many utilities. It is only possible now to make an allowance for these uncompensated services and obligations as in the judgment of the Commission appears to be fair and reasonable.

S. A. Westing was the first president of the company and is now one of the principal stockholders. A. S. Howard, the present executive, succeeded Mr. Westing and has been in the office for several years. He owns 196 of the 307 shares. During the construction period Mr. Howard superintended the work and put in considerable time. For this, however, he was paid a per diem and all of his expenses. This compensation is not included in the \$3,520. Claim is made by Mr. Howard for compensation for service in promoting the company and selling stock as former lines were projected. This claim is also made for the other directors, who performed a similar service. It is well to remember in this connection, however, that in 1908 capital stock in the amount of \$25.00 was issued to each of the

C. L. 89]

eight directors in payment of services previously rendered. Whether this constituted full compensation for the work done is not disclosed by the record, but it is significant that the directors accepted it as such and made no further claim.

While the president has always managed the company, it does not appear from the record that the duties of this position in the early days were very onerous, or required a great deal of time. At this time Mr. Howard was actively engaged in the mercantile business and Mr. Westing was and still is interested in several large enterprises.

There have been but two secretaries of the company, the present secretary, H. R. Coplin, serving since 1908. The secretary also acts as treasurer. He keeps the books, attends the directors' and stockholders' meetings and assists with the collections. Mr. Coplin has been in the banking business and it is conceded has only given such time as was absolutely necessary to the telephone business. The system of bookkeeping has been very simple and in a business of this size the work has not been heavy.

Upon consideration of all of these matters, the Commission is of the opinion that the claim of \$7,000, as made by applicant, is not justified by the record. We are of the opinion, however, that some allowance should be made for services performed and not paid for, and upon full consideration of all of the facts find that a sum of \$3,500 be approved for this purpose, such stock, together with the stock now in force, to represent, at the par value thereof, the entire interest of the stockholders in and to the property held by the company. The Commission is also of the opinion that the stockholders are entitled to no more than a reasonable return upon the par value of the shares of stock held by them and that a reasonable return at this time, and under the circumstances of this case, is 8 per cent. per annum. Additional stock in the amount of \$3,500 will be authorized. This will increase the capital to \$13,425, which is slightly more than the present value as estimated by our engineers, and about \$2,000 less than that claimed by the company. If to the present value of the

physical property is added the other assets, the stock authorized will be well within the total assets of the company.

ORDER.

It is, therefore, ordered, That the Kenesaw Telephone Company, of Kenesaw, Nebraska, be, and the same is hereby, authorized to issue its common stock in the amount of \$3,500, par value, and distribute the same to its stockholders of record in such proportion as may be mutually agreed upon by the company and the stockholders, subject to the following conditions:

(1) That the beneficial interest of the stockholders of the company in and to the property held by the company shall be limited in value to the par value of the capital stock outstanding and in force, and that dividends upon said stock shall be limited to 8 per cent. per annum until the further order of the Commission.

(2) That the beneficial interest in the remainder of the property held by the company shall be in the patrons of the company, the company to hold and administer all the property as heretofore in such manner as to ensure its maintenance and serviceability according to modern standards and the payment of a reasonable return to the stockholders of the company.

(3) That said company shall file with the Commission its written acceptance of the terms and conditions of this order.

Made and entered at Lincoln, Nebraska, this twenty-eighth day of February, 1919.

C. L. 89]

In re APPLICATION OF BERTRAND TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Application No. 3706.

Decided February 28, 1919.

**Increase in Business, Residence, Rural and Switching Rates Author-
ized — Discount for Prompt Payment Approved — Con-
tinuous Service Ordered Furnished — Allowance of
10 Per Cent. Made for Maintenance and Re-
serve for Depreciation — Allowance of 8 Per Cent.
Made for Return on Investment — Creation of
Limited Surplus Fund Authorized — Divi-
dends Limited to 8 Per Cent. — Provision
Made for Reduction of Rates When
Surplus Fund Exceeds Certain
Amount.**

Applicant moved to set aside the order * of the Commission of December 31, 1918, in this case, refusing authority to increase rates 25 cents per month, although ordering the company to furnish continuous service. Motion granted.

Held: That the Commission was in error in finding that dividends paid for the five years ending December 31, 1917, amounted to \$11,199.08, as this amount represented the surplus above cost of maintenance, taxes and other expenses during the period, and only \$6,292.26 in dividends were paid. As no dividends were paid in 1918, for the 6½-year period ending December 31, 1918, the return averaged 7 per cent. on the capitalization;

That from the remaining surplus, amounting to \$5,662.72, there was due to the owner \$624 for services, and \$4,062.73 was expended during 1918 for reconstruction at Bertrand and during 1919 reconstruction of country lines would cost \$1,000 more;

That the reproduction new value was approximately \$20,500 and the present value about \$15,000, and allowing 10 per cent. on the former amount for maintenance and reserve for depreciation and 8 per cent. on the latter for return on investment, total revenues — exchange, toll and miscellaneous — would exceed operating and general expenses and allowances for reserve for depreciation and return on investment by \$81.50, but as an increase of \$480 in wages was imminent, there would result a deficit of \$400 a year without any allowance for contingencies;

That the increase of 50 cents gross and 25 cents net per month asked for all classes of service should be authorized, except in the case of switching service, and in that case, as the rates usually charged for switching service do not exceed 50 cents per month, there was no justification, in

* See Commission Leaflet No. 87, p. 1030.

the absence of proof of the cost of furnishing such service, for increasing applicant's switching rate of 45 cents per month to more than 50 cents per month net, but applicant should be authorized to charge a switching rate of 50 cents net and 60 cents gross as well as increasing its other rates 50 cents gross and 25 cents net, the difference between gross and net rates for all classes of service to be given as a discount for prompt payment;

That the excess earnings accruing from the new rates above the current requirements should go to a surplus fund to cover deficits that might arise in the future, the creation of a surplus fund being justifiable so long as it does not become disproportionate to the probable variations in the cost of service from year to year. As a surplus is necessary only for insuring a reasonable return to the owners of the property—the allowance of 10 per cent. for maintenance and reserve for depreciation providing a reserve sufficient to keep the property in good operating condition—and as \$1,200—insuring one year's return at 8 per cent. on \$15,000—would be sufficient, whenever the surplus fund of the company amounts to more than \$1,200—or in the event of any subsequent increase in the investment either from the owner's own funds or from borrowed funds to more than \$1,200 plus 8 per cent. per annum upon the additional investment—the rates herein authorized should be reduced 5 cents per month or whatever multiple thereof may be necessary to reduce the surplus fund to \$1,200 or less, due notice to be given to the Commission of such reductions;

That the rate to the owner of the company on account of property in place on December 31, 1918, including in such return all interest paid on borrowed funds, should be limited to \$1,200 per annum, and subsequent additions to the property paid for by the owners' funds or by borrowed funds should bear a like rate;

That applicant should set aside monthly to a fund to be known as the "Depreciation Reserve" the difference between the total of the actual maintenance expenses for the month and one-twelfth of 10 per cent. of \$20,500 and the same ratio of the cost of betterments and additions subsequently made;

That applicant should keep its accounts according to the system of accounting for telephone companies prescribed by the Commission in its General Order No. 45; *

That applicant should provide continuous night and day service.

OPINION.

This matter came on for consideration by the Commission upon the oral motion of the applicant to set aside the order† made herein on December 31, 1918, and to receive

* See Commission Leaflet No. 89, p. 1358.

† See Commission Leaflet No. 87, p. 1030.

C. L. 89]

additional information as to the condition of the company. The motion was sustained.

It now appears that the Commission was in error in finding that the dividends paid during the five years ending December 31, 1917, amounted to \$11,199.08. This amount represented the surplus above costs of maintenance, taxes and other expenses during the period. The dividends paid amounted to \$6,292.26 only, and inasmuch as no dividend was paid during 1918 they constitute the return to the owner for six and one-half years ending December 31, 1918. The return averages 7 per cent. per annum during the period on the capitalization.

The surplus remaining on December 31, 1918, amounted to \$5,662.72, but there is due from this fund a salary claim of the owner for services during 1918 in the sum of \$624. He devoted all of his time during the year to the business, as considerable reconstruction work was going on, and claims that he should be compensated at the rate of \$100 per month. This is not unreasonable. The balance in the surplus account actually belonging thereto at the end of 1918 is, therefore, only \$5,038.72.

The company's experience in 1918 showed that all of this surplus was needed for the reconstruction of the plant — \$4,062.73 was expended for that purpose on the property located in Bertrand, and it is claimed that the reconstruction of the country lines to be done during 1919 will cost more than \$1,000. The question is, therefore, are the current revenues sufficient for all of the company's needs, including a fair return upon the value of the property?

The Commission found a value of \$13,624.78 in the 1913 case.* All the Commission has before it at this time concerning values are the 1913 valuation, the showing as to reconstruction expenditures above noted, and the fact that the present owner purchased a half interest in the property from his partner on May 1, 1918, for \$6,500. This transaction was, in fact, an exchange of properties, and the agreed price is therefore not controlling as to value, but considering the cost of repairs and replacements made in

* See Commission Leaflet No. 17, p. 695.

1918 (in connection with the 1913 valuation) the present value cannot be far from \$15,000, and that figure will be used for the purposes of this case. It results in an average of \$56.60 per telephone owned by the company. The reproduction new value for use in estimating the requirements for maintenance and depreciation is fixed at \$20,500 which is \$1,613.50 in excess of the corresponding valuation in the 1913 case.*

Applicant was unable to show the experience of the company as to revenues and expenses for the entire year of 1918 because his former partner (who was the manager previous to applicant's acquirement of the whole plant) retained possession of the books and refuses to deliver them to him. The showing was complete, however, for the latter eight months of the year. Extending this showing to cover the entire year (changing the owner's salary so as to represent the amount earned and allowing 50 per cent. of it as a charge against general expenses), allowing 10 per cent. per annum for maintenance and depreciation and a return of 8 per cent. per annum on the value of the property, results in the following statement:

<i>Operative:</i>	<i>Expenses</i>	
Operators' wages	\$1,045 13	
Stationery and advertising.....	48 07	
Light, heat, water and power.....	72 25	
Rent	180 00	
Pole rentals	10 00	
Messenger service	3 00	
Carried forward		\$1,358 45
<i>General:</i>		
Officer's salary	\$600 00	
Clerk's salary	120 00	
Taxes	61 10	
Insurances	25 15	
		806 25
Maintenance and depreciation (10 per cent. of \$20,500)...		2,050 00
Return (8 per cent. of \$15,000).....		1,200 00
		<hr/> \$5,414 70

* See Commission Leaflet No. 17, p. 695.

C. L. 89]

<i>Revenues</i>	
Exchange	\$5,011 35
Toll, net	481 35
Miscellaneous	2 50
TOTAL	5,495 20
SURPLUS REVENUE	*\$81 50

Applicant represents that it is necessary to increase the wages of three operators and of the clerk \$10.00 each a month. This appears reasonable in view of the present scale of wages paid, which is \$10 each to one operator and two clerks and \$35.00 per month to each of the other two operators. The amount of this increase is \$480 a year, which will leave a deficit of \$400 in the revenues without any allowance for contingencies.

The present monthly rates are as follows:

Business	\$2 00
One-party town residence.....	1 25
Four-party town residence.....	1 00
Farm residence	1 25
Switching rate	45

with additional rates for desk and extension sets.

An increase of 50 cents gross and 25 cents net per month in all of the rates, including switching, is asked for. No separate showing was made as to the cost of furnishing switching service, and inasmuch as the rate usually charged for such service does not exceed 50 cents a month, there is no justification for the increase of this rate above that amount. There are 150 users of switching service and an increase of 5 cents a month would yield \$94.80 per annum. There are 265 regular subscribers and an increase of 25 cents a month in their rate will yield \$795 per annum, making a total increase in revenues of \$889.80. This is approximately \$500 per annum above current requirements. The excess would go to a surplus account for use in covering deficits that may arise in the future. The creation of a surplus fund is justifiable as long as the fund does not become disproportionate to the probable variations in the

* An error of \$1.00 is apparent.

cost of the service from year to year. The allowance for maintenance and depreciation should provide a reserve sufficient to keep the property in good operating condition. Practically speaking, therefore, a surplus is necessary only for the purpose of insuring a reasonable return to the owner of the property. The insuring of one year's return in advance would seem to be sufficient for this protection and the surplus account should therefore never exceed that amount, or in this case \$1,200, unless the owner's investment is increased. When the balance in the account exceeds this amount the rates should be correspondingly reduced.

The principle of the gross and net rate has been repeatedly approved by the Commission on the ground that it greatly reduces the work of making collections and is therefore economical. The switching rates are payable semi-annually in advance and a gross rate of 10 cents a month above the net rate has been found sufficient to induce prompt payment in other companies. A margin of 25 cents a month has been found necessary in rates payable monthly.

The Commission therefore finds that applicant's present subscriber rates should be increased 50 cents a month gross with a discount of 25 cents a month if paid on or before the tenth day of the month to which they apply, and that applicant's switching rates should be increased 15 cents a month gross with a discount of 10 cents a month if paid semi-annually during the first month of the six months' period to which they apply.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the order herein made on December 31, 1918, be, and the same is hereby, set aside and made of no affect.

It is further ordered, That the Bertrand Telephone Company be, and the same is hereby, authorized to charge, collect and receive rates for its service as follows:

	<i>Per Month</i>
Business	\$2 50
One-party town residence.....	1 75
Four-party town residence.....	1 50
Farm residence	1 75

C. L. 89]

Subject to a discount of 25 cents per month if paid on or before the tenth day of the month to which the charge applies.

Switching service, 60 cents per month, subject to a discount of 10 cents per month if paid semi-annually during the first month of the period to which the charge applies.

Desk sets, 25 cents per month additional.

Extension sets, 50 cents per month additional.

Provided, That whenever the surplus fund of the company amounts to more than \$1,200, or in the event of any subsequent increase in the investment, either from the owner's own funds or from borrowed funds, to more than \$1,200 plus 8 per cent. per annum upon this additional investment, the rates above authorized shall be reduced 5 cents per month, or whatever multiple thereof is necessary to reduce the surplus fund to \$1,200 or less, due notice to be given to the Commission of such reductions.

It is further ordered, That the return to the owner of the company on account of property in place on December 31, 1918 (including in such return all interest paid on borrowed funds) shall be limited to \$1,200 per annum. Subsequent additions to the property paid for by the owner's funds or by borrowed funds shall bear a like rate.

It is further ordered, That applicant shall set aside monthly to a fund to be known as the depreciation reserve, the difference between the total of the actual maintenance expenses for the month and one-twelfth of 10 per cent. of \$20,500 and the same ratio of the cost of betterments and additions made subsequent to December 31, 1918, and that applicant shall keep its accounts according to the system of accounting for telephone companies prescribed by the Commission in its General Order No. 45.*

It is further ordered, That applicant shall provide its subscribers and the public continuous night and day service, subject to the payment of lawful rates therefor.

This order shall become effective April 1, 1919.

Made and entered at Lincoln, Nebraska, this twenty-eighth day of February, 1919.

* See Commission Leaflet No. 88, p. 1358.

In re APPLICATION OF KENESAW TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

Application No. 3715.

Decided March 1, 1919.

**Increase in Net Rates Denied — Increase in Gross Rates Authorized —
Allowance of 10 Per Cent. Made for Maintenance and Reserve
for Depreciation — Allowance of 8 Per Cent. Made for
Return on Investment.**

Applicant sought authority to increase its gross business rate 75 cents per month, and its gross residence and rural rates 50 cents per month, said rates to be subject to a discount of 25 cents per month for prompt payment.

The Commission found that the reproduction new value of the property was \$20,110, and that the actual investment of the stockholders was \$13,425. The Commission further found that the operating revenues were \$5,982.05, and that the operating expenses, including taxes and allowance of 10 per cent. on the reproduction new value of the property for maintenance and depreciation, and an allowance of 8 per cent. on the stockholders' investment for dividends, were \$5,464.35.

Held: That although the Commission had substituted 10 per cent. of the reproduction value instead of the actual expenditures for maintenance, the sum allowed would be adequate, even under present material and labor costs, and the excess of actual expenditures for maintenance above the 10 per cent. allowance, was due to the fact that the property was going through a rather extensive reconstruction period;

That expenses of all kinds had mounted rapidly in the past two years, but there was every reason to believe that the limit had been reached, and that the changes, if any, would be downward rather than upward in the future; that while the number of subscribers appeared to have decreased slowly in the last half of the year 1918, this was probably but a temporary condition as there had been a gradual increase for several years past, and the increase should continue with a normal development of the territory served; and the toll revenues had also shown a steady increase; therefore, the present revenue was adequate, and it would continue to be adequate for all purposes, and the proposed rates, which would produce additional revenue to the amount of approximately \$1,200 annually, should not be authorized, as there was no necessity for such a surplus;

That the applicant should be authorized to quote a gross rate 25 cents in excess of the net rates, the difference between gross and net rates to be given as a discount for prompt payment.

OPINION.

This is an application for an increase of 75 cents per month on business telephones and 50 cents per month on farm and residence telephones, with a discount of 25 cents for prompt payment. The present rates are as follows:

	<i>Per Month</i>
Business	\$2 00
Residence	1 25
Farm	1 25

In application No. 3451,* considered simultaneously with this, a discussion of the value of the plant and the investment in it is presented and it is unnecessary to repeat that here, further than to say that we found the reproduction new value of the property to be \$20,110 and the actual investment of the stockholders \$13,425. These figures will be used as a basis for the conclusions in this case.

Applicant represents that operating costs of all kinds have materially increased in recent years and that additional revenue is necessary if service is to be maintained and an earning returned to the stockholders. It is further contended that the president and secretary of the company are now inadequately paid. They receive \$25.00 a month each and it is urged that these salaries should be increased to \$75.00 or \$100 per month each.

Statements of the earnings and operating expenses are submitted for the years 1917 and 1918. In addition the Commission has the annual reports for the same and previous years. The showing for the fiscal year ending June 30, 1918, apparently reflects the conditions as they exist at the present time, the annual report for the calendar year ending December 31, 1918, indicating that the expenses for the last six months of the year were not much in excess of those for the first half of the year. There is a discrepancy as to the revenue, the report for the fiscal year showing the rental receipts to be over \$200 more than for the calendar year. This appears to be due partially to a difference in

* See Commission Leaflet No. 89, p. 1636.

the number of subscribers reported, 353 being reported for the year ending June 30, 1918, and only 340 for the year ending December 31.

Using the expenses as reported for the year ending June 30, 1918, readjusted as later explained, and the revenues for the year ending December 31, we have the following statement:

<i>Revenues</i>		
Toll service	\$471 28	
Subscribers' service:		
33 business, \$24.00 each.....	792 00	
111 residence, \$15.00 each.....	1,665 00	
196 farm, at \$15.00.....	2,940 00	
Sale of material.....	88 52	
Moving and installing.....	25 25	
	<hr/>	
	\$5,982 05	\$5,982 05
<i>Expenses</i>		
Operators	\$1,118 25	
Light	17 35	
Coal	95 15	
Insurance	63 85	
Rent	84 00	
Drayage	9 50	
Office supplies	43 00	
Advertising	55 00	
Traveling expense	32 50	
Taxes	270 75	
	<hr/>	
	\$1,789 35	
President's salary	\$300 00	
Secretary's salary	300 00	
	<hr/>	
	600 00	
Maintenance and depreciation (10 per cent. of \$20,011)	2,001 00	
	<hr/>	
		4,390 35
 NET INCOME		 \$1,591 70
Dividends (8 per cent. on \$13,425).....		1,074 00
		<hr/>
SURPLUS		\$517 70

In the above statement we have substituted for the actual expenditures for maintenance an annual allowance of 10

C. L. 89]

per cent. of the reproduction value of the property, which is intended to cover both maintenance and depreciation. The company has been expending more than this in the past two years. It is evident, however, that the property is going through a rather extensive reconstruction period and that the expenditures for that reason are somewhat above normal. It is apparent, also, that a portion of the expenditures should have been charged to additions and betterments. We believe the sum allowed will be adequate, even under present material and labor costs.

The operating expenses include an increase in pay to the three operators, but it is claimed that an additional increase of \$7.50 per month for the three will be necessary, making the annual charge of \$90.00 to be included. With reference to the claim that the salaries of the president and secretary should be increased, the Commission is of the opinion that some increase is necessary. We believe, however, that a combined salary of \$100 per month would provide adequate compensation. Such an amount compares favorably with the expenditures for this purpose by other companies of similar size. This would add \$600 annually to the expense, making a total of \$690 not included in the above statement. This is greater by \$172.30 than the net surplus shown and would create a deficit to that amount. If the revenue figures for the year ending June 30 are used, however, there would still remain a surplus of \$22.70.

Expenses of all kinds have mounted rapidly in the past two years, but there is every reason to believe that the limit has been reached and that the changes, if any, will be downward rather than upward in the future. While the number of subscribers appears to have decreased slightly in the last half of the year 1918, that is probably but a temporary condition. There has been a gradual increase for several years past and the increase should continue with the normal development of the territory served. The toll revenue has likewise shown a steady increase. Taking these things into consideration, the Commission is of the opinion that the present revenue is adequate and that it will continue to be adequate for all purposes. It should be borne in mind that an allowance of 8 per cent. for dividends is made here,

whereas in the majority of cases the Commission has found 7 per cent. to be reasonable. The increase of the capital securities (Application No. 3451,* *supra*), to the extent of \$3,500, also has a bearing. It increases the allowance for dividends in the amount of \$280 and to that extent adds to the net income of the present owners, over what they have been receiving in the past. The rates asked for would produce additional revenue to the amount of approximately \$1,200 annually. We can find no necessity for such a surplus. The application will therefore be denied.

It is desired by the company to assess a penalty of 25 cents per month where rentals are not paid by the tenth of the month. In lieu of such method, however, the Commission prefers the establishment of a gross rate from which a discount of 25 cents is made for payment within a specified time. It has approved such a rule in many cases and knows of no reason why it should not be authorized here.

ORDER.

It is, therefore, ordered, That the application of the Kenesaw Telephone Company for authority to increase its net exchange rates be, and the same is hereby, denied.

It is further ordered, That the Kenesaw Telephone Company be, and the same is hereby, authorized to establish gross rates for the various classes of exchange service as follows:

	<i>Per Month</i>
Business	\$2 25
Residence	1 50
Farm	1 50

Where payment is made on or before the tenth of the month a discount of 25 cents will be allowed.

This order to be effective on and after April 1, 1919.

Made and entered at Lincoln, Nebraska, this first day of March, 1919.

* See Commission Leaflet No. 89, p. 1636.

In re APPLICATION OF SCOTIA INDEPENDENT TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3684.

Decided March 4, 1919.

Increase in Business and Residence Rates Authorized — Increase in Rural Rates Denied — Discount for Prompt Payment Approved — Company Entitled to Return on Net Income from Reasonable Rates, Invested in Plant Instead of Taken as Dividends — Allowance of 10 Per Cent. Made for Maintenance and Reserve for Depreciation — Allowance of 8 Per Cent. Made for Return on Investment — Allowance of 2 Per Cent. Made for Bad Debts — Dividends Limited to 8 Per Cent. — Increase in Stock to Equalize Capitalization and Investment Suggested.

Applicant sought authority to increase its business, residence and rural rates 25 cents per month.

Applicant had outstanding \$4,110 of stock issued for cash at par, on which no dividends had ever been paid.

Held: That public utilities subject to the Commission's rate-making power would not be permitted to earn a return on accumulations of property made from excessive rates, but where rates had been insufficient to provide a reasonable return, and the net income had been invested in plant instead of taken as dividends, the company would be authorized to earn on such investment or would be given opportunity to capitalize the dividends due and unpaid;

That computing dividends on the outstanding stock of \$4,110 at 7 per cent. for the years 1908 to 1918, inclusive, and computing interest at 7 per cent. on deferred dividends, and adding the sum of investment evidenced by the stock, the investors' property would be \$8,382.40 — approximately \$8,400 — and on this the company should be allowed to earn a return;

That under the existing rates, after paying operating expenses including 14 per cent. to 16 per cent. for maintenance, and a return of 8 per cent., the company would have had a surplus of \$407 in 1916, a deficit of \$42.40 in 1917 and a deficit of \$64.00 in 1918; and in 1919, the total expenditures for which revenues must provide, estimating maintenance and reserve for depreciation at 10 per cent. on \$12,000 — \$8,400 plus approximately \$2,500 of borrowed money invested in plant — computing return on investment at 8 per cent. on \$8,400, and estimating insurance, taxes and interest on borrowed money at \$400, would be \$4,122;

That if the proposed increase in business and residence rates were authorized, the total earnings of the company from subscribers' service

whereas in the majority of cases the Commission by 7 per cent. to be reasonable. The increase of securities (Application No. 3451, *supra*), to \$3,500, also has a bearing. It increases the dividends in the amount of \$280 and to that the net income of the present owners, over been receiving in the past. The rates produce additional revenue to the amount \$1,200 annually. We can find no need plus. The application will therefore.

It is desired by the company to 25 cents per month where rentals are the month. In lieu of such method the company prefers the establishment of a discount of 25 cents is made. It has approved the time. It has approved the time. It knows of no reason why it should

which including such work; should carry needed; should declare, on a valuation for rate after use the remaining surplus set forth above, or hold the same as surplus to take care of unfore-

It is, therefore, ordered
Kenesaw Telephone Company
net exchange rates be

It is further ordered
company be, and the
gross rates for telephone
follows:

Business
Residence ...
Farm

Where proposed
a discount

This
The
Mar

the construction of the exchange building earnings, but might either be capitalized and of the sale of stock, or be paid for by deferred the company was entitled and later capitalizing the consent of the Commission being a prerequisite in of the stock;
might issue and distribute among its stockholders a of the amount of the difference between \$4,110 (the stock paid in by stockholders and outstanding) and \$8,400 holders' investment including, besides cash paid in for stock, dividends at the rate of 7 per cent. and interest thereon at the per cent.), with the consent of the Commission, or might pay on an amount equal to \$8,400 to the present outstanding

OPINION.

Applicant herein asks authority to increase telephone rates 25 cents per month on three general classes of service—business, residence, and rural,—alleging as a necessity therefor increasing costs of operation and inability under present rates to meet obligations.

was organized about the middle of 1907,
 sold all the stock that is now out-
 It was all sold for cash and at
 on paid. Contrary to prac-
 company, which began
 take different rates
 were covered

PUBLICATION OF SCOTIA INDEPENDENT TEL. Co. 1657
 APPLICATION OF SCOTIA INDEPENDENT TELEPHONE
 FOR AUTHORITY TO INCREASE RATES
 Application No. 3684
 Filed March 4, 1919.

Since Rates Authorized—Increase in
 for Prompt Payment Approved—
 Net Income from Reasonable
 taken as Dividends—Allow-
 ance and Reserve for
 Made for Return
 not Made for
 Cost—
 and

laid down by this
 to the Commission's
 admitted to earn a return
 made from excessive rates,
 been insufficient to provide a
 the net income] has been invested
 taken as dividends, such company
 use will be authorized to earn on such
 be given opportunity to capitalize the
 and unpaid.

that principle in the instant case, it is found
 and are due to this company in the amount of 7
 on the outstanding stock during the years 1908 to
 inclusive, and that the stockholders are entitled to
 the interest on each of these due and unpaid dividend
 amounts; thus protecting the stockholder in the same man-
 ner as if the dividends had been earned and had been
 invested in property. For the purpose of this case, adjust-
 ment of the past period will be made on the basis of the
 7 per cent. dividend and 7 per cent. interest on deferred
 dividends. The adjustment will thus be as follows:

Total dividends due and unpaid, 1908-1918, inclusive, at	
7 per cent.....	\$3,164 70
Interest at 7 per cent. on unpaid dividends.....	1,107 70
	<hr/>
Total sacrifice of stockholders in excess of outstand- ing stock	\$4,272 40
Outstanding stock	\$4,110 00
Due to stockholders.....	4,272 40
	<hr/>
Investors' property	\$8,382 40

would be \$4,335, and the total maximum earnings including \$200 in tolls, would be \$4,535;

That deducting the expenditures of \$4,122 from net earnings of \$4,535 there would be left \$413, from which 2 per cent. of the total earnings, or \$90.70, should be deducted for bad debts, leaving a net surplus of \$322.30:

That applicant should be authorized to increase its net business and residence rates 25 cents per month but the net rural rates should continue unchanged; however, to encourage more prompt payment, gross rates in excess of net rates should be quoted for all classes of service, the difference between gross and net rates to be given as a discount for prompt payment;

That from its gross receipts, the company should pay all reasonable costs of operating, its interest charges, taxes and insurance, should set aside 10 per cent. of the entire cost of its property, annually, from which to pay all maintenance charges for material and labor, including such part of the linemen's time as was devoted to that work; should carry the remainder of the 10 per cent. as reserve until needed; should declare, if earned, not more than 8 per cent. dividends on a valuation for rate-making purposes of \$8,400, and should thereafter use the remaining surplus, if any, to meet deficits in the items set forth above, or hold the same in its treasury in cash or liquid securities as surplus to take care of unforeseen emergencies;

That the debt incurred for the construction of the exchange building should not be paid out of earnings, but might either be capitalized and paid for from the proceeds of the sale of stock, or be paid for by deferring dividends to which the company was entitled and later capitalizing these dividends—the consent of the Commission being a prerequisite in either case to the issue of the stock;

That applicant might issue and distribute among its stockholders a stock dividend of the amount of the difference between \$4,110 (the amount of stock paid in by stockholders and outstanding) and \$8,400 (the stockholders' investment including, besides cash paid in for stock, deferred dividends at the rate of 7 per cent. and interest thereon at the rate of 7 per cent.), with the consent of the Commission, or might pay dividends on an amount equal to \$8,400 to the present outstanding stockholders.

OPINION.

Applicant herein asks authority to increase telephone rates 25 cents per month on three general classes of service—business, residence, and rural,—alleging as a necessity therefor increasing costs of operation and inability under present rates to meet obligations.

C. L. 89]

The company was organized about the middle of 1907, and during that year sold all the stock that is now outstanding; namely, \$4,110. It was all sold for cash and at par. No dividends have ever been paid. Contrary to practice in many similar concerns, this company, which began business in a semi-mutual way, did not make different rates for stockholders and renters and no dividends were covered up in that manner.

According to the principle frequently laid down by this Commission, public utilities subject to the Commission's rate-making power will not be permitted to earn a return on accumulations of property made from excessive rates, but where the rates have been insufficient to provide a reasonable return [and the net income] has been invested in property rather than taken as dividends, such company in a readjustment case will be authorized to earn on such investment or will be given opportunity to capitalize the dividends due and unpaid.

Applying that principle in the instant case, it is found that dividends are due to this company in the amount of 7 per cent. on the outstanding stock during the years 1908 to 1918, inclusive, and that the stockholders are entitled to simple interest on each of these due and unpaid dividend amounts; thus protecting the stockholder in the same manner as if the dividends had been earned and had been invested in property. For the purpose of this case, adjustment of the past period will be made on the basis of the 7 per cent. dividend and 7 per cent. interest on deferred dividends. The adjustment will thus be as follows:

Total dividends due and unpaid, 1908-1918, inclusive, at	
7 per cent.....	\$3,164 70
Interest at 7 per cent. on unpaid dividends.....	1,107 70
<hr/>	
Total sacrifice of stockholders in excess of outstanding stock	\$4,272 40
Outstanding stock	\$4,110 00
Due to stockholders.....	4,272 40
<hr/>	
Investors' property	\$8,382 40

In addition to this, this company shows that it has borrowed \$2,400 which it has put into betterments. It owed \$3,150 on December 31, but nothing in the showing indicates whether the additional debt above \$2,400 was incurred for the construction of property or was incurred for running expenses. The company will be allowed to earn the interest rate on all this money and may, in its own discretion, make application to the Commission to issue and sell stock with which to secure the funds to retire the debt incurred for new construction only.

Gross earnings and expenses and net earnings in the past three years exclusive of proper dividend allowance are as follows:

	1916	1917	1918
Earnings (gross)	\$3,690	\$4,165	\$4,600
Expenses	2,687	3,585	4,010
Earnings (net)	\$1,003	\$580	\$590

Under the method set out above for ascertaining proper investment on which dividends can be earned, the company was entitled in 1916 to earn on an invested capital of \$7,450, which at 8 per cent. would amount to \$596. In that year, therefore, the company would have had a surplus of \$407. This surplus was not due to the maintenance and depreciation fund for the company's statement shows that it paid out for materials and labor for maintenance \$759, which did not include that part of the manager's time devoted to maintenance work. Nothing in the record permits the Commission to any more than roughly estimate what part of the \$1,595 paid to the manager was earned for managerial services and what part for services as lineman and for operating the exchange. If the figure of \$635 is taken to indicate the total amount paid the manager to represent his work on maintenance, the total amount spent for maintenance material and labor in 1916 would be \$1,394, or more than 14 per cent. on an estimated cost of the depreciable plant. This is more than a normal maintenance, hence the surplus was a real surplus.

C. L. 89]

In 1917, using the same basis of computation, the company was entitled to earn dividends on a valuation of \$7,785, which at 8 per cent. would have amounted to \$62.40. These dividends were unpaid. The net earnings were, as shown above, \$580 for that year. The deficit, if dividends had been paid on a proper basis, would have been \$42.40. In 1917, the manager as such and as lineman and for all operating services received \$1,690. If an allowance is made of \$960 for the operators and for the general duties of the manager, that portion of the work of the manager devoted to maintenance material and labor of \$1,247.90 would make an estimated total of \$1,978 spent for maintenance, or 16 per cent. on the apparent cost of the depreciable property of \$12,000. The company in this year constructed an exchange building at a cost of approximately \$2,500, which adds to the depreciable property.

In 1918, the investment on which dividends would properly be earned, computed on the basis heretofore set forth, was \$8,175. A dividend allowance at 8 per cent. would amount to \$654. The net earnings aside from dividends were \$590. The deficit, therefore, was \$64.00 in that year. The manager was paid \$1,710 for which he did the work as manager, devoted much of his time to maintenance work, and out of which he paid the operators. Allocating this total among operators, manager's salary and lineman's wages would indicate about 15 per cent. of the value of the depreciable property as having been spent for maintenance.

The company, therefore, spent during these three years more than a normal amount for maintenance. The Commission has rather insufficient data on which to estimate the maintenance expenses in earlier years, but such data as it has indicates a certain amount of deferred depreciation which has probably been taken care of in these three years.

Applicant company has evidently not kept its books in such a way as to enable it to segregate the items of expenditure so as to give the Commission proper knowledge in estimating the expenses for 1919, and an estimate which may in some respects be faulty is necessary. If the company keeps its books in an approved manner during the

present year, the Commission will then be able to adjust any inaccuracies of this finding.

Figuring liberally for 1919 on a basis of property subject to depreciation costing \$12,000, and figuring the maintenance and depreciation combined at 10 per cent. on this property, would give \$1,200 as a proper allowance for maintenance and for depreciation reserve. The manager has been paid \$1,710 for which he performs the duties of manager, furnishes his own automobile, acts in a large measure as a lineman, and pays the operators. The Commission does not anticipate that this figure will be increased for 1919, but to cover possibilities will estimate the expense of operators at \$1,150, this not to include that portion of the money paid the manager for purely managerial duties. Other operating expenses including heat, light, fuel, power, office supplies and incidentals are placed at \$250, this figure being arrived at from the experience of other companies of similar size. Applicant shows an incidental expense, under which head is included by applicant the items just enumerated, of \$780 for 1918. Obviously, this figure includes other expenses than incidental expenses of operation, but what those other expenses are has not been brought out by applicant. General expenses of officers, etc., are placed at \$250, this to include traveling expenses, per diem of directors, secretary's salary, etc. An allowance should be made herein also of \$200 for that portion of the manager's time devoted wholly to managerial duties, this having been taken from the expense of operation and placed under general expenses. Estimated taxes, insurance and interest on borrowed money \$400 per annum. The total cost of operation is thus estimated at \$3,450. If to this is added dividends on \$8,400 at 8 per cent., that figure having been found to be the proper allowance to the company for property on which dividends may be paid, the total expenditures for which the revenues must provide reach the sum of \$4,122.

In 1918 the company collected \$4,600, of which \$200 represents commission on tolls. It charged \$1.75 per month to twenty-five business subscribers, \$1.00 per month to eighty-nine residence subscribers, and \$1.25 per month to one hun-

APPLICATION OF SCOTIA INDEPENDENT TEL. Co. 1661

C. L. 89]

dred sixty farm subscribers. Obviously, not all this was earned in the year. If the rate for business service is increased 25 cents per month net and a similar increase is made for residence subscribers within the exchange area, the total maximum earning of the company from subscribers' service will be \$4,335. Net tolls are estimated at \$200; total maximum earnings \$4,535. An allowance should be made of 2 per cent. for bad accounts.

Constructed in this manner, we have the following estimated statement for 1919:

<i>Receipts</i>	
Earnings from subscribers' service.....	\$4,335 00
Toll commissions	200 00
Gross income	\$4,535 00
<i>Expenditures</i>	
Maintenance and depreciation.....	\$1,200 00
Operative expenses	1,400 00
General expenses	450 00
Deductions for taxes, insurance, interest on borrowed funds	400 00
Dividends on basis of 8 per cent. on \$8,400.....	672 00
Total paid out.....	4,122 00
	\$413 00
Allowance for bad accounts.....	90 70
NET SURPLUS	\$322 30

The Commission is of the opinion that net increases of 25 cents per month should be made on business and residence service within the exchange area of Scotia and that no increase be made on the farm lines.

It is evidently the desire of the company to increase its rates in order to pay off the indebtedness outstanding against the company, at least \$2,400 of which represents construction of an exchange building and the lots on which it stands. This debt should not be paid from the earnings

of the company. It may, upon application to and approval by the Commission, be capitalized, proceeds of the sale of stock to be used in paying off indebtedness. It may also be paid by deferring the dividends which the company is entitled to, and later the capitalization of these deferred dividends upon proper application to the Commission therefor.

The company has now outstanding \$4,110 of stock which represents capital paid in by stockholders. We have found herein that the deferred dividends and interest thereon give the stockholders an investment in existing property to the amount of \$8,400 and in estimating the expenses, allowance is made for dividends at 8 per cent. on this amount. The company may, in its discretion, issue a stock dividend for the difference between \$8,400 and \$4,110 and distribute same to its stockholders. Or, it may pay the dividends on an amount equal to \$8,400 to the present outstanding stock. If it is desired to issue a stock dividend, application should be made to the Commission for that authority, reference being made to this finding.

The company should make a better division of its expenditures so they will fall under proper items. That portion of the amount paid in a lump sum for handling the entire exchange which, in the judgment of the board of directors, would represent the proper charge to maintenance of lines and switchboard, should be included as line-man's wages. Operators' wages should appear as such. Other items, such as heat, light, fuel and office supplies, should be separately carried in the accounts. Under general expenses should appear the per diem of directors, if any, the salary of the secretary, expenses of collection, that portion of the manager's salary which corresponds to the time devoted entirely to managing, traveling expenses and insurance. Taxes and interest on borrowed money should be shown as a deduction from the net operating revenue. A careful separation should be made by the company between labor and material which goes to keep in repair and to replace existing properties in kind, and such labor and material as have been used for extending the plant or bettering it beyond its original condition. These expenses for

C. L. 89]

additions and betterments should be so carried that from time to time they may be represented by issues of capital stock, and if they do not represent also deferred dividends, so that the money may then be replaced in surplus to be used in emergencies such as a period of lean earnings or abnormal maintenances.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Scotia Independent Telephone Company be, and it hereby is, authorized to publish, effective April 1, 1919, the following rates and charges for service on its exchange at Scotia:

	Gross	Net
Business service	\$2 25	\$2 00 per month
Residence within exchange area.....	1 50	1 25 per month
Farm line service.....	4 50	3 75 per quarter

Net rates will be charged where bills within the exchange area are paid on or before the tenth of the month in which service is rendered, and for farm line service where paid quarterly during the first month of the quarter in which service is rendered.

It is further ordered, That from its gross receipts, the company shall pay all reasonable cost of operating; its interest charges, taxes and insurance; shall set aside 10 per cent. of the entire cost of its property annually from which it shall pay all maintenance charges for material and labor, including such part of the lineman's time as is devoted to that work; shall carry the remainder of the 10 per cent. as reserve until needed; shall declare, if earned, not more than 8 per cent. on a valuation for rate-making purposes of \$8,400; and shall thereafter use remaining surplus, if any, to meet deficit in the items set forth above or to hold same in its treasury in cash or liquid securities as surplus to care for unforeseen emergencies.

Made and entered at Lincoln, Nebraska, this fourth day of March, 1919.

In re APPLICATION OF CRETE TELEPHONE COMPANY FOR
AUTHORITY TO CHANGE RATES.

Application No. 3814.

Decided March 7, 1919.

**Elimination of Rate for Limited Service Authorized in View of Difficulty
of Policing Calls — Discount for Prompt Payment Approved.**

OPINION.

The Crete Telephone Company operates exchanges at Crete and Kramer. It has 182 telephones in operation at Kramer on two rate bases. It furnishes service to 73 farm line subscribers at \$1.25 per month which includes service to Kramer, Hallam, Martel and Denton, and also furnishes service at \$1.50 per month to 109 subscribers with free service to Crete in addition to the towns named above.

Applicant alleges that it has found the task of policing the service between Kramer and Crete under present conditions unsurmountable. It has been found impossible to collect non-subscribers' toll rates from a large number of the subscribers who do not get the Crete service as a part of their regular rate, because said subscribers call from 'phones of subscribers who pay the additional rate and secure service at Crete in that rate without additional charge. The Crete subscribers are all furnished service to Kramer without additional charge. It is alleged that subscribers at Crete originate the calls so that Kramer subscribers will not have to pay toll, or else Kramer subscribers call from other telephones than their own.

The Commission has not made an investigation of the situation at Kramer, but from investigations of similar situations in other places, it is well advised that the policing is well nigh impossible, and a discrimination exists in that service is furnished to Crete which is not paid for, whereas other subscribers pay for the same service.

The Commission will, in this instance, apply the rule frequently applied heretofore that where service conditions demand it, the desires of the minority must give way to the demands of the majority. It will, therefore, approve the application of the Crete Telephone Company to charge all subscribers at Kramer the rate of \$1.50 per month net, and

C. L. 89]

will furnish all such subscribers without additional charge to Crete in addition to Martel, Hallam and Denton.

The application also sets forth a considerable difficulty in collecting accounts. It alleges that on December 1, 1918, accounts outstanding for the Crete exchange amounted to \$1,748.85 and for the Kramer exchange \$1,079.75. One month later, the total amount outstanding, both at Kramer and Crete, was \$2,277.83. Applicant has found mounting costs of material and labor a considerable burden and hesitates to pay the cost of a collector unless that is essential. It, therefore, asks authority to publish a gross rate 25 cents higher than its rates heretofore published, for all classes of service, with discount for prompt payment as per rules approved heretofore by the Commission in a large number of instances. The Commission considers this application wholly reasonable.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Crete Telephone Company be, and it hereby is, authorized to eliminate, effective April 1, 1919, the farm line rate of \$1.25 per month for limited service at Kramer, Nebraska, and to charge all such farm line subscribers the net rate of \$1.50 per month, said rate to include service at Crete, Hallam, Denton and Martel.

It is further ordered, That, effective April 1, 1919, applicant company shall publish gross and net rates at Crete and Kramer as follows:

CRETE.	Gross	Net
	Per Month	Per Month
Individual business	\$3 25	\$3 00
Two-party business	2 75	2 50
Individual line residence.....	1 75	1 50
Two-party line residence.....	1 50	1 25
Farm line business.....	2 75	2 50
Farm line residence.....	1 75	1 50

KRAMER.		
Individual business	2 25	2 00
Individual residence	1 75	1 50
Farm line service.....	1 75	1 50

Net rates as quoted above shall be charged for telephone service rendered within the exchange areas when bills are paid on or before the

tenth of the month in which service is rendered. Net rates shall be charged for farm line service, when bills are paid quarterly, during the first month of the quarter in which service is rendered.

Made and entered at Lincoln, Nebraska, this seventh day of March, 1919.

In re APPLICATION OF THE CURTIS AND SOUTHWESTERN TELEPHONE COMPANY FOR AUTHORITY TO SELL SECURITIES.

Application No. 3868.

Decided March 7, 1919.

Issue of Stock by Domestic Corporation for Extensions and Additions Authorized.

ORDER.

Whereas, application has been made by the Curtis and Southwestern Telephone Company for authority to issue and sell six shares of stock, par value \$29.00 per share, for the purpose of securing funds with which to extend its property into unoccupied territory; and

Whereas, it appears to the Commission on due consideration that this application is reasonable and that the company should be allowed to sell this stock above par in its own judgment, provided it does not require prospective stockholders and subscribers to pay more for the stock than the actual cost of extending lines to give them service;

It is, therefore, ordered by the Nebraska State Railway Commission, That the Curtis and Southwestern Telephone Company be and it hereby is, authorized to issue and sell six shares of its stock, par value \$29.00 per share, subject to the following restrictions:

Stock shall be sold at not less than par and for a not greater price above par than the actual cost of extending telephone service to said purchasers' property; proceeds shall be used for building extensions and for no other purpose; when the stock has been issued and sold and the pro-

ceeds expended, the company shall make report to the Commission on blanks supplied for that purpose showing details of receipts and expenditures.

Made and entered at Lincoln, Nebraska, this seventh day of March, 1919.

BUSINESS MEN'S ASSOCIATION OF PAWNEE CITY v. PAWNEE
TELEPHONE COMPANY.

Informal Complaint No. 5038.

Decided March 7, 1919.

Improvement in Service Ordered.

OPINION.

This complaint came up for hearing in the district court room at Pawnee City, Nebraska, on March 5, 1919. There were present at the hearing between 200 and 250 patrons and subscribers of the defendant company. Testimony was offered by a large number of witnesses. It was clearly shown that the services rendered by the defendant company are inadequate and insufficient to reasonably serve the public requirements with telephone service. Testimony of the witnesses showed that the main cause of complaint is in the central office of the defendant company. This was admitted by Mr. Becker, general manager of the defendant.

In consideration of the testimony and all of the facts presented at the hearing, the Commission is of the opinion that an emergency exists, and that the defendant company should be required to rehabilitate its switchboard and certain other central office equipment at the earliest possible date in order that reasonable service may be rendered the patrons of the company.

To this end the Commission is of the opinion and so finds that the company should be required to furnish three operators at the main switchboard between the hours of 7:30 A. M. and 7:30 P. M. on week days and a sufficient number of operators on Sunday to give the same general standard of

service as furnished on week days; that the company should be required to temporarily employ a wire chief competent to supervise and assist in the rehabilitation of the central office equipment of the defendant company.

The Commission is further of the opinion and so finds that the main switchboard of the defendant company is in a dilapidated condition and should be rehabilitated in some satisfactory manner at the earliest possible date.

The Commission is also of the opinion that the service tests should be made by representatives of the Commission at stated periods until such a time as the service of the company has been restored to a normal and reasonable condition.

In view of the fact that a large amount of reconstruction and rehabilitation of the central office must be made by the company, the Commission is of the opinion that an emergency order should be entered and the matter held open on the docket of the Commission for the purpose of further consideration and order if conditions make it necessary for further orders to be entered.

An order will be entered in accordance with these findings.

ORDER.

It is, therefore, ordered by the Nebraska State Railway Commission, That the Pawnee Telephone Company, of Pawnee City, Nebraska, be, and the same is hereby, ordered and directed to submit to the Commission on or before March 29, 1919, a comprehensive plan for the rehabilitation of the present exchange switchboard located in the company's central office in Pawnee City.

It is further ordered, That the defendant company be, and the same is hereby, ordered and directed to maintain three operators on the main switchboard, exclusive of the toll operator, during the hours of 7:30 A. M. and 7:30 P. M. on week days.

It is further ordered, That the defendant company be, and the same is hereby, ordered and directed to temporarily employ a wire chief who is competent to superintend and assist in the rehabilitation of the switchboard and central

C. L. 89]

office equipment now maintained by the defendant company in its central office in Pawnee City, Nebraska.

It is further ordered, That an emergency exists and that this order shall be in full force and effect from and after the date of the same.

Made and entered at Lincoln, Nebraska, this seventh day of March, 1919.

In re APPLICATION OF KEARNEY TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE ITS RATES.

Application No. 3748.

Decided March 8, 1919.

**Previous Order Increasing Rates Modified to Exclude from the Effect
Thereof One of Company's Exchanges.**

SUPPLEMENTAL ORDER.

Through inadvertence the original order* in this case was made to require the same rates for applicant's exchanges at Riverdale and Sumner as were to apply to Kearney. At the time the order was prepared it was understood that the rates were the same for the three exchanges. Such is not the case, however. It develops also that applicant at this time does not desire to change any of its rates for its Riverdale exchange. We found in the order that increases of 50 cents per month on business telephones, 25 cents per month on residence telephones, and 15 cents per month for switching service were reasonable. These increases will be applied to the rates now in effect on the Sumner exchange and the order will also be modified so as to eliminate the Riverdale exchange from its application.

It is, therefore, ordered, That the original order* in this case be, and the same is hereby, amended so that the first paragraph therein will read as follows:

It is, therefore, ordered, That the Kearney Telephone company be, and the same is hereby, authorized and directed to publish and charge the

* See Commission Leaflet No. 88, p. 1363.

[Neb.]

following schedule of rates for a period of six months from the date of this order on its exchanges at Kearney and Sumner, to-wit:

KEARNEY EXCHANGE.

	<i>Per Month</i>
Individual business	\$3 75
Two-party business	3 25
Individual residence	2 25
Two-party residence	2 00
Four-party residence	1 75
Switching service	50

SUMNER EXCHANGE.

Individual business	2 75
Individual residence.....	1 50
Switching service	40

The above rates as to the Kearney exchange are to be subject to all the rules with reference to discounts, etc., now on file with this Commission. The business and residence rates named for the Sumner exchange shall be subject to a discount of 25 cents per month if paid on or before the tenth of the month.

It is further ordered, That all of the other provisions of the original order shall remain in full force and effect.

Made and entered at Lincoln, Nebraska, this eighth day of March, 1919.

NEVADA.

Railroad Commission.

In re APPLICATION OF UNITED FARMERS' TELEPHONE AND
TELEGRAPH COMPANY FOR APPROVAL OF ORDER No. 1931
OF THE POSTMASTER GENERAL OF THE UNITED STATES.

Case No. 488.

Decided January 18, 1919.

Installation and Moving Charges Prescribed in Order No. 1931 of Postmaster General Held Illegal and of No Effect.

OPINION.

Under date of December 11, 1918, the Commission received a petition from the United Farmers' Telephone and Telegraph Company, reading as follows:

To the Railroad Commission of Nevada:

Now comes the United Farmers' Telephone and Telegraph Company, a corporation heretofore conducting a general telephone business in the State of Nevada, and respectfully submits to the Railroad Commission of Nevada that:

1. Under and by virtue of an Act of Congress bearing date the sixteenth day of July, 1918, the President of the United States was authorized to take possession of and assume control of telephone systems or parts thereof;

2. Under proclamation of the President of the United States, dated July 22, 1918, all telephone and telegraph systems of the United States were placed within the possession and control and under the supervision of the Postmaster General, effective from and after midnight July 31, 1918;

3. Said Postmaster General has taken possession and control of the lines of the United Farmers' Telephone and Telegraph Company, petitioner herein;

4. Actual operation and management of said the United Farmers' Telephone and Telegraph Company's system has been, under the approval of the Postmaster General, continued by the petitioner herein;

5. The Postmaster General, under and by virtue of Order No. 1931, provided for certain charges and practices differing from those on file

following schedule of rates for a period of six months from the date of this order on its exchanges at Kearney and Sumner, to-wit:

KEARNEY EXCHANGE.

	<i>Per Month</i>
Individual business	\$3 75
Two-party business	3 25
Individual residence	2 25
Two-party residence	2 00
Four-party residence	1 75
Switching service	50

SUMNER EXCHANGE.

Individual business	2 75
Individual residence	1 50
Switching service	40

The above rates as to the Kearney exchange are to be subject to all the rules with reference to discounts, etc., now on file with this Commission. The business and residence rates named for the Sumner exchange shall be subject to a discount of 25 cents per month if paid on or before the tenth of the month.

It is further ordered, That all of the other provisions of the original order shall remain in full force and effect.

Made and entered at Lincoln, Nebraska, this eighth day of March, 1919.

NEVADA.

Railroad Commission.

In re APPLICATION OF UNITED FARMERS' TELEPHONE AND
TELEGRAPH COMPANY FOR APPROVAL OF ORDER NO. 1931
OF THE POSTMASTER GENERAL OF THE UNITED STATES.

Case No. 488.

Decided January 18, 1919.

Installation and Moving Charges Prescribed in Order No. 1931 of Postmaster General Held Illegal and of No Effect.

OPINION.

Under date of December 11, 1918, the Commission received a petition from the United Farmers' Telephone and Telegraph Company, reading as follows:

To the Railroad Commission of Nevada:

Now comes the United Farmers' Telephone and Telegraph Company, a corporation heretofore conducting a general telephone business in the State of Nevada, and respectfully submits to the Railroad Commission of Nevada that:

1. Under and by virtue of an Act of Congress bearing date the sixteenth day of July, 1918, the President of the United States was authorized to take possession of and assume control of telephone systems or parts thereof;

2. Under proclamation of the President of the United States, dated July 22, 1918, all telephone and telegraph systems of the United States were placed within the possession and control and under the supervision of the Postmaster General, effective from and after midnight July 31, 1918;

3. Said Postmaster General has taken possession and control of the lines of the United Farmers' Telephone and Telegraph Company, petitioner herein;

4. Actual operation and management of said the United Farmers' Telephone and Telegraph Company's system has been, under the approval of the Postmaster General, continued by the petitioner herein;

5. The Postmaster General, under and by virtue of Order No. 1931, provided for certain charges and practices differing from those on file

with the Nevada Railroad Commission, which said order of the Postmaster General is in words and figures as follows, to-wit:

Order No. 1931:

August 29, 1918.

Owing to the necessity for conserving labor and material, and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installations, also a charge for all changes in location of telephones.

Installation charges to be as follows:

Where the rate is \$2.00 a month or less.....	\$5 00
Where the rate is more than \$2.00, but not exceeding \$4.00 a month	10 00
Where the rate is more than \$4.00 a month.....	15 00

The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change.

In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels, in all cases where rate adjustments are pending or immediately necessary they should be taken up by the company involved through the usual channels, and action obtained wherever possible. In all cases, however, where rates are changed, such changes should be submitted to me for approval before being placed in effect.

A. S. BURLESON,
Postmaster General.

Said Postmaster General made said order to prevent injury to the business and interests of the people and of the telephone utilities, including those in the State of Nevada, and to prevent such injury to the business and interests of the people and telephone utilities, including those in Douglas County, it is necessary that the change of rates set forth in said order shall be effective as of September 1, 1918, in accordance with the terms of said order.

Wherefore, your petitioner respectfully presents said order of the Postmaster General to the Nevada Railroad Commission, and prays that your Commission take such action as it may see fit in the premises, and that the schedules of rates and rules and practices of the United Farmers' Telephone and Telegraph Company be regarded as modified and amended so as to incorporate the terms of said order, and that such amendment and modification be regarded as effective as of the first day of September, 1918.

The United Farmers' Telephone & Telegraph Company,
By E. J. PHILLIPS,
Secretary-Manager

At a regular meeting of the Commission the petition was formally considered, and in view of the fact that the arbitrary charges put into effect under Order No. 1931 required all telephone companies operating in Nevada under government control to assess such charges, and for the reason that the schedules of telephone companies were not properly amended for establishing such charges on thirty days' notice to the Commission as required under the provisions of the Railroad Commission Law of this State, the Commission feels that it can take no other position than that of considering the charges referred to as illegal and of no force and effect in the State of Nevada.

The Commission deems it no more than proper that the Government, in endeavoring to effect radical changes in the long-established and, generally speaking, reasonable rates, rules, and regulations assessed by public utilities which have been authorized and made effective under the laws of the several states, and which have recently been taken over by the government for unified operation, should seek the cooperation and advice of the several state commissions having jurisdiction over such public utilities, and secure their authorization before making orders which interfere with or change lawfully existing rules, regulations, and rates covering intrastate business.

Under the regulatory statutes of Nevada the relationship of the government in respect to the state's internal or domestic commerce must be held to be that of a holding organization which, for operating purposes, has taken the place of the various telephone and telegraph companies under private operation. In this behalf, the ownership has not been changed at all, and the public obligation and the liability of so much of the property of said telephone and telegraph companies as is, and has heretofore been, properly assignable and creditable to each state for the rendering of an adequate state service, is in no wise affected by changes made for the purpose of unified operation, and, therefore, telephone and telegraph companies will be required to conform to the laws of this State.

Upon an investigation of the questions under consideration, we find that the Postmaster General's Order No. 1931 was effective September 1, 1918, but that copies of this general order were not served upon telephone companies operating in Nevada until some time after that date, consequently a number of telephone companies were unable to arrange for making collections of the installation and removal charges until November 1, 1918. This has resulted in a good deal of confusion; and the Commission has received many complaints from the telephone users objecting to the payment of the charges, and also requesting information as to the tariff authority for the assessment of the same. The Commission has been unable to give reference to such tariff authority, owing to the fact that tariffs have not been properly amended, nor are we able to give any reason for these changes, and in fact it was not until recently that the Commission received a copy of the Postmaster General's Order No. 1931.

In view of all the circumstances cited above, the following order was entered at the regular meeting of the Commission held December 14, 1918.

ORDER.

The Commission having under consideration the petition of the United Farmers' Telephone and Telegraph Company for an order approving the adoption of telephone installation and removal charges, as set forth in Order No. 1931 of the Postmaster General of the United States, hereby

Orders and rules, That such charges have not been established by the Postmaster General of the United States in conformity with the provisions of Section 4 of the Railroad Commission Law of the State of Nevada requiring telephone companies to file notice of changes of rates, rules, and regulations on thirty days' notice to the Commission and to the public.

It is further ordered, That for the aforesaid reasons said charges are unlawful as applied to domestic state business, and, therefore, all telephone companies are hereby notified to forthwith cease and desist from levying and collecting such charges, and for the future to collect, until otherwise

C. L. 89]

ordered by the Railroad Commission of Nevada, only and no more than such charges as have been and are lawfully established under the laws of the sovereign State of Nevada.

It is further ordered and ruled, That all telephone companies operating in the State of Nevada, assessing such charges, are violating the provisions of said Railroad Commission Law of the State of Nevada, and are subject to the penalties of the law provided for such violation.

It is further ordered, That a copy of this order and ruling be served upon all telephone companies operating in the State of Nevada, and that the public be notified of the same through the press.

December 14, 1918.

NEW HAMPSHIRE.

Public Service Commission.

CITIZENS OF NEWPORT AND SUNAPEE v. NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY.

D-505.

Decided March 13, 1919.

**Establishment of Toll Rate in Lieu of Free Interexchange Service,
Approved.**

REPORT.

This petition is in the nature of a protest by citizens of Newport and Sunapee against a new schedule of telephone rates between those towns put into effect by the New England Telephone and Telegraph Company on November 1, 1918. The particular feature objected to is the abolition of free service, so-called, between patrons of the two exchanges. Under the old rates a subscriber of the Newport exchange could talk with a subscriber of the Sunapee exchange without any charge in addition to his regular monthly rate, and a subscriber of the Sunapee exchange had the same privilege of talking with a subscriber of the Newport exchange. In other words, for those taking exchange service, Newport and Sunapee were treated as one exchange.

The new rate does away with this free service and requires anyone connected with one exchange who wishes to talk with anyone connected with the other exchange to pay 5 cents for the privilege.

The elimination of free service between exchanges has met with the Commission's approval in several cases recently decided. See *Coos Telephone Company*,* 6 N. H.

* See Commission Leaflet No. 81, p. 1008.

C. L. 89]

P. S. C. Rep. 474, *White Mountain Telephone and Telegraph Company*,* 6 N. H. P. S. C. Rep. 493, and *Winnepesaukee Telephone Company*,† 6 N. H. P. S. C. Rep. 494.

There is no distinguishing feature to take this case out of the general principles laid down in those cases.

Petition dismissed.

Filed March 13, 1919.

* Noted in Commission Leaflet No. 81, p. 1007.

† See Commission Leaflet No. 81, p. 1005.

NEW YORK.

Public Service Commission — Second District.

**MEDIATOR PUBLISHING COMPANY BY MORSE M. FRANKEL,
SECRETARY v. NEW YORK TELEPHONE COMPANY.**

Case No. 5831.

Decided March 11, 1919.

Rehearing Denied.

By order* dated February 21, 1917, the complaint in this matter was denied. On March 4, 1919, Morse M. Frankel filed with this Commission a petition (in the form of an affidavit), praying, for reasons stated, that a rehearing be held. In the judgment of this Commission there not being made to appear sufficient reason for a rehearing,

It is ordered, That said petition for rehearing is hereby denied.

March 11, 1919.

**BOARD OF SUPERVISORS OF ERIE COUNTY v. A. S. BURLESON,
POSTMASTER GENERAL, AND NEW YORK TELEPHONE
COMPANY.**

Case No. 6703.

Decided March 11, 1919.

**Complaint that Furnishing Telephone Service to City at 25 Per Cent.
Reduction Constituted Unjust Discrimination Against County,
which Was Charged Regular Rates, Dismissed.**

OPINION.

This is a complaint by the county of Erie against the action of the respondent in threatening to terminate the

* Complainant sought to have restored service discontinued because of his improper use of his telephone. See Commission Leaflet No. 64, p. 1033. See also Commission Leaflet No. 65, p. 1314, Commission Leaflet No. 67, p. 110, Commission Leaflet No. 68, p. 383.

C. L. 89]

allowance of a reduction of 25 per cent. in the compensation for the telephone service which it renders to the complainant. For many years respondent has supplied telephone service both to the city of Buffalo and the county of Erie. The charge for the service in each case was based on the company's regular schedule from which a discount of 25 per cent. was allowed. The company now proposes to continue the discount to the city but discontinue it as to the county. The county claims that this will result in an unlawful discrimination.

The powers of the Commission over telephone rates and the regulation of such rates are found in Sections 91 and 92 of the Public Service Commissions Law. Section 91, sub-division 1, provides that all charges shall be just and reasonable and not more than allowed by law or by order of the Commission. Sub-division 2 prohibits special rates, rebates, drawbacks and discriminations. Sub-division 3 prohibits any undue or unreasonable advantage or prejudice to any person, corporation or locality.

Section 92 in sub-division 1 requires all rates and charges to be shown by printed schedules to be filed with the Commission. In sub-division 2 is found a prohibition against charging different rates than those shown in the schedule on file, and a provision that no discrimination shall be practiced between patrons. Sub-division 3 prohibits free or reduced service except to officers, employees, attorneys and certain others, charitable institutions and ministers of the Gospel, but contains a special provision excepting from its application, state, municipal or federal contracts.

The question presented, therefore, is whether free or reduced rate service given to a municipal corporation pursuant to the exception last above mentioned comes within the prohibition against discrimination found in the earlier portions of the statute. If it does, then it follows that all free and reduced service must be made the subject of the filed schedules and must be equally extended to all patrons of the same class. Thus, if free service is given to one clerk, all other clerks are entitled to demand free service. So with the company's attorneys and other officers, so with

charitable institutions, so with ministers. This would seem to be a *reductio ad absurdum*. The same question in a different form was considered by the Commission in *State Agricultural and Industrial School v. New York Telephone Company*,* 4 P. S. C. 2d District 219. There the State of New York applied for an order to compel the telephone company to connect its equipment with other equipment owned by the State, and Commissioner Irvine, writing for the Commission, said:

"We do not find that the law has imposed upon telephone companies any duty with respect to service to the State other than the duty owed to other subscribers. The only difference suggested by the statute is the provision in sub-division 3 of Section 92 of the Public Service Commissions Law, that that sub-division, forbidding free service or reduced rates, shall not apply to state, municipal or federal contracts.

"If the service were such as to impose a duty upon the company to render it generally it would be required to file schedules of rates; but it would be free, if it saw fit to render the service to the State at a reduced rate or even gratuitously. The Commission might compel it to render service to the State under the regular tariffs. Any other arrangement would have to be by contract between the company and the State. We hold, however, that this service is not one to be enforced in favor of subscribers generally. There are, therefore, no schedules, nor will there be any. Consequently, there exists no basis of compensation upon which we could order connections made with this switchboard or other state switchboards. If such service is to be rendered to the State and not to other users of the telephone, it must be by virtue of legislation not now existing, or by virtue of a contract which this Commission has no power to make on behalf of the State."

It seems clear that the prohibitions of the statute against discrimination and undue advantage do not apply to any class of free or reduced service expressly permitted by the statute. These views call for a dismissal of the complaint and an order will be entered accordingly.

ORDER.

The Board of Supervisors of Erie county having filed with this Commission a complaint against A. S. Burleson,

* See Commission Leaflet No. 35, p. 110.

C. L. 89]

Postmaster General (in charge of telephone companies under order of the President) and New York Telephone Company, alleging that a discount of 25 per cent. from the regular rates of the company which for many years has been allowed on the bills of the county of Erie for telephone service, was to be discontinued, and that a similar discount was still to be allowed the city of Buffalo; and the company having answered said complaint (but no answer being received from the Postmaster General); and a public hearing on said complaint having been held by Chairman Hill of this Commission in Buffalo on February 1, 1919, those named above appearing; Now, after due consideration, and for the reasons stated in the opinion of this Commission of this date in this matter,

It is ordered, That this complaint is hereby dismissed.

March 11, 1919.

In re CERTAIN CHARGES MADE BY TELEPHONE CORPORATIONS
FOR INSTALLING TELEPHONES.

Case No. 6798.

Decided March 20, 1919.

Reports by Telephone Companies of Instances where Subscribers, Who in Good Faith Made Either Written or Oral Contract or Agreement and Proceeded on Assumption that Installation Charges would be Those in Effect Prior to September 1, 1918, were Charged in Excess thereof, Ordered — Report of Charges Remitted Ordered.

ORDER.

After hearing upon complaints in cases Nos. 6654 to 6658 inclusive, 6674, 6733, and 6734, the Commission entered orders* under date of January 30, 1919, directing the New York Telephone Company to make refund of certain charges, known as "installation," "change," and

* See Commission Leaflet No. 88, p. 1381.

“ removal ” charges, which the New York Telephone Company had made pursuant to an order issued by the Postmaster General effective September 1, 1918.

These particular cases were heard as a test, representative of a considerable number of similar complaints received and of a still larger number of like instances known to exist.

Among the cases heard were some where the complainants had prior to September 1, 1918, or even thereafter made contracts or arrangements in good faith for “ installations,” “ changes,” and “ removals ” in reliance upon the terms of the telephone company’s filed tariff in effect prior to September 1, 1918, and in these cases the New York Telephone Company has accepted and obeyed the orders of the Commission.

While this order is in no way related to the question of the jurisdiction of the Commission over rates announced by the Postmaster General, it is obvious that in all instances like those cited subscribers should be afforded like relief without discrimination. The Commission further holds that the principles established in these cases are sufficiently representative to warrant their application to all like instances where like charges have been made against the subscribers of all other telephone corporations under the jurisdiction of this Commission.

Therefore, it is ordered, 1. All telephone corporations under the jurisdiction of this Commission shall forthwith ascertain, as far as may be possible, each and every instance in which subscribers having in good faith made either written or verbal contracts or arrangements, or proceeded on the assumption that “ installations,” “ changes,” and “ removals ” would be charged at the rates prevailing prior to September 1, 1918, have been charged in excess thereof.

Ordered, 2. All telephone corporations under the jurisdiction of this Commission shall, on or before May 1, 1919, make report to this Commission stating the number of instances where such excess charges have been made under

C. L. 89]

the circumstances recited in ordering Clause 1 herein, and the number of corresponding charges remitted, together with a statement of their methods in arriving at the same.

Ordered, 3. Each and every telephone corporation shall advise the Commission within ten days after service upon such corporation of a certified copy of this order, whether it accepts and will comply with the same.

March 20, 1919.

OHIO.

The Public Utilities Commission.

**THE CITY OF ELYRIA *et al.* v. THE ELYRIA TELEPHONE
COMPANY.**

No. 722.

Decided February 28, 1919.

Increase in Rates Authorized.

ORDER.

This matter coming on this day, after full hearing, upon the application of The Elyria Telephone Company for such modification and amendment of the order,* made and entered herein as of date March 14, 1917, as will permit and authorize said The Elyria Telephone Company to establish and maintain, for the furnishing of telephonic service in the exchange area of Elyria, Ohio, in lieu of the rates fixed and prescribed by said order of March 14, 1917, the rates and charges set forth in the proposed schedule appended to the instant application herein and marked for identification, "P. U. C. O. No. 2, Original Sheets 2, 4 and 5":

The Commission, being fully advised in the premises, finds that, taking into consideration the value of the property used and useful in the furnishing of said service, the cost of furnishing the same, and the necessary amounts which should be set aside for depreciation and contingencies, the rates for furnishing telephonic service in the exchange area of Elyria, Ohio, set forth in said schedule identified as aforesaid and appended to the instant application herein, (except the rate for individual line business service insofar as it exceeds \$48.00 gross, and \$45.00 net per year; the rates for private branch exchange trunks,

* See Commission Leaflet No. 65, p. 1322.

C. L. 89]

insofar as they exceed \$45.00 net per year; the rental for private branch exchange switchboards insofar as the same is computed upon anything but the equipped capacity, and any rental for a booth), are not unjust, unreasonable nor excessive, and will not yield a rate of return greater than said The Elyria Telephone Company is entitled to earn upon its property so devoted to the service of the public in said exchange area of Elyria, Ohio.

It is, therefore, ordered, That the order* made and entered herein on the fourteenth day of March, 1917, be, and hereby it is, modified and amended to permit and authorize The Elyria Telephone Company to establish, maintain, impose and collect, for the furnishing of telephonic service in the exchange area of Elyria, Ohio, from and after the first day of March, 1919, the rates, tolls, charges and rentals set forth in said schedules marked and identified as " P. U. C. O. No. 2, Original Sheets Nos, 2, 4 and 5 " as modified by the findings hereinbefore set forth, instead and in lieu of the rates, tolls, charges and rentals so fixed and prescribed by said order of March 14, 1917.

Dated at Columbus, Ohio, this twenty-eighth day of February, 1919.

In re RESOLUTION No. 31800 OF THE COUNCIL OF THE CITY OF CLEVELAND, OHIO, REQUESTING THE COMMISSION TO APPRAISE THE PROPERTY OF THE CLEVELAND TELEPHONE COMPANY AND THE PROPERTY OF THE CUYAHOGA TELEPHONE COMPANY.

No. 194,

Decided March 4, 1919.

Final Valuation Made—Cost of Attaching Business Eliminated Therefrom.

ORDER.

This day this matter came on for consideration upon the separate applications of The Ohio State Telephone Com-

* See Commission Leaflet No. 65, p. 1322.

pany and the city of Cleveland, Ohio, asking, respectively, upon the part of said company, that the Commission set aside and declare for naught the order, made and entered herein as of date December 7, 1918, insofar as it omits certain additions to the valuation of said company's Cleveland property which were agreed to by said company and the city of Cleveland and formally presented to the Commission at a hearing of this matter held upon the fifteenth day of January, 1918, and, as to said pleading of the city of Cleveland, that said order be set aside and declared for naught insofar as the valuation therein adopted includes any allowance for cost of attaching business, and that a rehearing of said matter be thereupon had:

Upon consideration whereof, and being fully advised in the premises, and it appearing from the records of this proceeding that upon said day aforesaid, to-wit: January 15, 1918, the parties to this proceeding did appear before this Commission and report their agreement to the following changes in, and modifications of, the tentative valuation, theretofore certified, of the property of The Ohio State Telephone Company (Cleveland Division), and said changes being supported by the evidence then and there produced, and said changes being as follows, to-wit:

<i>New Value</i>	<i>Reproduction Value</i>	<i>Present Value</i>
Right-of-way	\$106,029 23	\$106,029 23
Central office telephone equipment.....	377,496 17	321,723 56
Exchange pole lines.....	352,881 35	280,169 38
Exchange aerial cable.....	229,121 08	192,023 04
Exchange underground conduit.....	524,115 99	493,004 39
Exchange underground cable	627,068 11	571,551 47
Plant supervision, supply and tool expense..	248,230 63	222,513 94
Overhead values	1,180,968 38	991,860 28
Not used and useful property.....	601,479 33	552,094 96

and it appearing that said sums were inadvertently omitted from the valuation adopted in said order of December 7, 1918,

It is ordered, That said order of December 7, 1918, be, and hereby it is, modified and amended to substitute the

C. L. 89]

foregoing sums for the respective items as therein now appearing.

And it appearing further that the Supreme Court of Ohio, by its recent decisions, does not allow any sum for cost of attaching business in such valuations, the allowance of \$108,052.53 for such item in said valuation hereby is eliminated, and said order of December 7, 1918, is so amended as to comply with this finding.

It is, therefore, ordered, That the final valuation of the several classes and kinds of property of The Ohio State Telephone Company (Cleveland Division), and the property of said company as a whole, used and useful for the convenience of the public in the furnishing of telephonic service in said division, as of April 1, 1914, and as hereinbefore modified and amended, be, and hereby it is, fixed and determined by this Commission to be as follows, to-wit:

THE OHIO STATE TELEPHONE COMPANY
(CLEVELAND DIVISION)
FINAL SUMMARY BY ACCOUNTS

Account	Description	Total Unit	Reproduction Value	Depreciation				Total %	Total Depreciation	Present Value
				Wear and Tear		Obsolescence				
				%	Amount	%	Amount			
207	Right-of-way		\$108,029 23							\$101,029 23
211	Land		378,757 37							378,757 37
212	Buildings		521,553 00	12.52	\$65,312 88			12.52	\$65,312 88	456,240 12
221	Central office telephone equipment		377,696 17	14.8	55,772 61			14.8	55,772 61	321,923 56
222	Other equipment of central office		6,038 82	9.69	58,585 22			9.69	58,585 22	5,453 60
231	Station apparatus		299,244 79	9.68	23,119 12			9.68	23,119 12	216,125 67
232	Station installations		83,000 05	8.65	3,447 52			8.65	3,447 52	79,552 54
233	Private branch exchanges		83,721 54	10.68	8,942 41			10.68	8,942 41	74,779 13
234	Booths and special fittings		8,153 48	8.00	4,121 26			8.00	4,121 26	4,032 22
235	Exchange pole lines		352,881 38	26.61	72,711 07			26.61	72,711 07	280,169 38
241	Exchange aerial cable		228,124 08	19.19	37,088 04			19.19	37,088 04	201,036 04
242	Exchange aerial wire		258,324 85	12.6	32,593 40			12.6	32,593 40	225,731 45
243	Exchange underground conduit		524,115 99	5.94	31,111 60			5.94	31,111 60	493,004 39
244	Exchange underground cable		627,088 11	8.85	55,516 64			8.85	55,516 64	571,571 47
245	Office furniture and fixtures		13,883 04	9.4	1,309 54	30	\$49 20	9.7	1,358 74	12,524 30
261	General shop equipment		13,085 46	19.9	414 03			19.9	414 03	12,671 43
262	General stable and garage equipment		17,346 10	19.6	3,399 71			19.6	3,399 71	13,946 39
263	General tools and implements		6,261 14	24.05	1,506 05			24.05	1,503 05	4,758 09
264	Plant supervision, supply and tool expense		248,230 63	10.36	25,716 69			10.36	25,716 69	222,513 94
265										
	TOTAL PHYSICAL PROPERTY		\$4,061,415 21	10.36	\$420,902 69		\$49 20	10.36	\$420,951 89	\$3,640,463 32
	Preliminary organization, legal, auditing and engineering	1.4%	\$58,395 00							\$58,395 00
	Organization, legal, auditing, engineering contingencies, casualties, omissions in insurance, taxes and interest during reproduction	21.2%	\$60,116 77	10.36	\$9,108 10			10.36	\$9,108 10	\$71,008 67
	TOTAL OVERHEAD VALUES		\$918,511 77	9.7	\$89,108 10			9.7	\$89,108 10	\$829,403 67
	Working capital in leading supplies	4.0%	162,466 61							162,466 61
	GRAND TOTAL		\$5,142,383 59					9.9	\$510,059 99	\$4,632,323 60
	Not used and useful property, including proportion		601,470 33					8.2	40,384 37	561,084 96
	TOTAL OPEN AND IMPROVED PROPERTY		\$4,540,013 26					10.1	\$450,076 02	\$4,089,937 24

C. L. 89]

And it appearing that these modifications of said valuation, as fixed by said order of December 7, 1918, dispose of the objections of the city of Cleveland in its said application for a rehearing,

It is, therefore, further ordered, That the application of the said city of Cleveland, Ohio, for a rehearing herein be, and hereby it is, denied.

Dated at Columbus, Ohio, this fourth day of March, 1919.

**In re APPLICATION OF THE DAMASCUS TELEPHONE COMPANY
FOR AUTHORITY TO ISSUE STOCK.**

No. 1620.

Decided March 5, 1919.

**Issue of Stock by Domestic Corporation for Acquisition of Property
Authorized — Selling Company Authorized to Hold Stock
Issued in Payment of Property, Pending Dis-
tribution to Stockholders.**

OPINION AND ORDER.

This day (the Commission having heretofore deemed a hearing thereupon to be unnecessary), this matter came on for final consideration upon the application of The Damascus Telephone Company, a corporation organized and existing under the laws of Ohio, asking the consent and authority of this Commission to issue common capital stock of the total par value of \$20,000, \$15,000, par value, thereof to be issued, as fully paid and non-assessable, in full payment of the consideration for the property and assets of The North Benton-Deerfield Telephone Company — the purchase of which by applicant was duly consented to and authorized by order this day made and entered in proceeding No. 1619 — and the proceeds arising from the sale of \$5,000, par value, of such stock to be used to provide additions, extensions and improvements to applicant's facilities:

Upon consideration whereof, and being fully advised in the premises, the Commission finds:

1. That the value of the property and assets of said The North Benton-Deerfield Telephone Company is not less than the sum of \$15,000;
2. That the applicant now has in contemplation actual net additions to its facilities, the cost of which will be not less than the sum of \$5,000, and
3. That the issue of applicant's said capital stock is reasonably required and the money to be procured from the sale of \$5,000, par value thereof, is necessary for the acquisition of property, to be actually used and useful for the convenience of the public in the furnishing of telephonic service, and the construction, completion, extension and improvement of applicant's facilities;

and is satisfied that consent and authority for the issue and disposition of said capital stock should be granted.

It is, therefore, ordered, That said The Damascus Telephone Company be, and hereby it is, authorized to issue its common capital stock of the total par value of \$20,000, and that \$5,000, par value thereof, be sold for the highest price obtainable but for not less than the par value of said stock.

It is further ordered, That said capital stock and the proceeds arising from the sale of a portion thereof be devoted to and used for the following purposes, and no others, to-wit:

1. \$15,000, par value, of said capital stock to be issued, as fully paid and non-assessable in discharge of the full consideration for the property and assets of The North Benton-Deerfield Telephone Company, the purchase of which, by applicant, was duly consented to and authorized by order this day made and entered in proceeding No. 1619, which order hereby is made a part of this order by reference.

2. The proceeds arising from the sale of \$5,000, par value of said capital stock, to be applied toward the payment of the cost of installing and providing the additions, extensions and improvements to applicant's facilities enumerated in a detailed estimate filed herein on the twenty-eighth day of February, 1919, which estimate hereby is made a party of this order by reference.

It is further ordered, That the applicant make verified report to this Commission, semi-annually within fifteen days after the close of each calendar semi-annual period, of the issue and disposition of said capital stock and the expenditure of the proceeds of so much thereof as may be sold, pursuant to the terms and conditions of this order.

And the Commission coming now to consider the matter of the acceptance and holding, by said The North Benton-Deerfield Telephone Company, of said capital stock of The Damascus Telephone Company until such time as it shall have been distributed to the stockholders of said The North Benton-Deerfield Telephone Company and that corporation dissolved, finds, for the purposes of this proceeding, that the public will be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor; and is satisfied that its consent and authority for such acceptance and holding of said capital stock by The North Benton-Deerfield Telephone Company should be granted.

It is, therefore, further ordered, That said The North Benton-Deerfield Telephone Company be, and hereby it is, authorized to accept and hold until such time as the same shall have been distributed among its stockholders the aforesaid \$15,000, par value, of the capital stock of said The Damascus Telephone Company, whereupon said The North Benton-Deerfield Telephone Company shall be dissolved.

Dated at Columbus, Ohio, this fifth day of March, 1919.

In re JOINT PETITION OF THE CITIZENS TELEPHONE COMPANY
OF CIRCLEVILLE AND DAVID R. FORGAN *et al.*, AS RECEIVERS
OF CENTRAL UNION TELEPHONE COMPANY FOR AUTHORITY
TO PURCHASE AND SELL CERTAIN PROPERTY.

No. 1125.

Decided March 19, 1919.

Modification of Exchange Boundary Limits Made.

ORDER.

This day this matter came on for further consideration upon the application of The Citizens Telephone Company of Circleville, Ohio, for such modification of the order,*

* See Commission Leaflet No. 80, p. 685.

made and entered herein as of date June 25, 1918, as will modify, in certain respects, the exchange boundary limits of said company, as fixed and prescribed by said order,* and it appearing, from investigations and inquiries by the Commission, that the best interests of both said telephone company and the public will be served thereby,

It is ordered, That the order,* made and entered herein as of date June 25, 1918, insofar as it fixes and prescribes the exchange boundary limits of the several exchange areas of said The Citizens Telephone Company be, and hereby it is, modified to amend such exchange boundaries in the following respects, viz.:

First: Change the present boundary line, commencing at the point where the line crosses the tracks of the C. and M. V. Railroad just east of Kinderhook, extending same directly north to the Circleville-Williamsport Pike, thence west on the pike to the residence of Tourney Keyes, thence directly north to the original boundary line.

Second: Permit subscribers located on the Circleville-Williamsport Pike, between the present residence of D. W. Adkins and the present residence of Tourney Keyes, to connect with either the Circleville or Williamsport exchange at their option.

Dated at Columbus, Ohio, March 19, 1919.

In re APPLICATION OF THE FRAZEYSBURG HOME TELEPHONE COMPANY FOR AUTHORITY TO PURCHASE THE PROPERTY AND ASSETS OF THE FRAZEYSBURG TELEPHONE COMPANY AND THE FRAZEYSBURG BELL TELEPHONE COMPANY.

No. 1524.

Decided March 31, 1919.

Consolidation of Competing Companies Authorized — Rates to be Charged by Consolidated Company Fixed.

OPINION AND ORDER.

This day after full hearing, due notice of the time and place of which was given to all parties in interest, this

* See Commission Leaflet No. 80, p. 685.

C. L. 89]

matter came on for final consideration upon the joint application of The Frazeyburg Telephone Company, The Frazeyburg Bell Telephone Company and The Frazeyburg Home Telephone Company, (all corporations duly organized and existing under the laws of Ohio), asking the consent to and approval by this Commission, of the sale and conveyance by said first two named applicants of all their property and assets to, and the purchase and acquisition thereof by, said last named applicant:

And the Commission having heretofore found and ascertained the valuation of the several kinds and classes of property of the said first two named applicants, (hereafter to be that of said last named applicant), used and useful for the convenience of the public in the furnishing of telephonic service, and of said property as a whole, upon which rates, tolls, charges and rentals are to be based, and notice of such valuation having been duly given to said applicants and, in the absence of a municipal organization in the village of Frazeyburg, to the clerk of Jackson Township, Muskingum County, Ohio, by registered letter, as provided by law, and it appearing that the consolidation of the properties of said first two named applicants under the sole ownership and managements of said last named applicant will promote the public convenience, and that the public thereby will be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, the Commission is satisfied that its consent and authority for such sale and purchase of property should be granted.

The Commission further finds and determines the following rates, rentals, tolls and charges for furnishing telephonic service within the territory served by means of said property, as solely owned and operated by said The Frazeyburg Home Telephone Company, to be just and reasonable, to-wit:

	<i>Per Year</i>
Business, individual line.....	\$30 00 net
Business, two-party line.....	24 00 net
Residence, individual line.....	21 00 net
Residence, four-party line.....	15 00 net
Twelve-party rural, business.....	15 00 net
Twelve-party rural, residence.....	15 00 net
Extension, business	8 00 net
Extension, residence	6 00 net
Switching service	6 00 net
Extra listing, business or residence.....	3 00 net
Extra radius beyond exchange limits (not including extensions)	
Individual line, each station, each one-fourth mile or fraction thereof	5 00 net
Four-party line, each station, each one-fourth mile or fraction thereof	3 00 net

It is, therefore, ordered, That said The Frazeytsburg Telephone Company and said The Frazeytsburg Bell Telephone Company be, and each of them hereby is, authorized to sell and convey to said The Frazeytsburg Home Telephone Company all of their respective property and assets; and said The Frazeytsburg Home Telephone Company hereby is authorized to purchase and acquire said properties and to pay therefor the agreed consideration of \$20,000.

It is further ordered, That upon the acquisition of said properties and when and as the same are operated in conjunction with each other, said The Frazeytsburg Home Telephone Company may impose, charge and collect for the furnishing of telephonic service within the territory now served by means of said property, rates not in excess of the rates and charges hereinbefore found and determined to be just and reasonable.

It is further ordered, That said applicants forthwith file with this Commission schedules providing for their respective withdrawal from and inauguration of service within the territory now served by means of said property.

It is further ordered, That the findings of the Commis-

APPLICATION OF THE FRAZEYSBURG HOME TEL. CO. 1695
C. L. 89]

sion as to service hereinbefore set forth shall not be binding upon this Commission in any future proceedings involving said matter.

Dated at Columbus, Ohio, this thirty-first day of March, 1919.

In re APPLICATION OF THE FRAZEYSBURG HOME TELEPHONE
COMPANY FOR AUTHORITY TO ISSUE STOCK.

No. 1621.

Decided March 31, 1919.

**Issue of Stock by Domestic Corporation for Acquisition of Properties of
Competing Companies and for Net Cost of Unifying Said
Properties Authorized.**

OPINION AND ORDER.

This day, after full hearing, due notice of the time and place of which was given to all parties in interest, this matter came on for consideration upon the application of The Frazeytsburg Home Telephone Company (a corporation organized and existing under the laws of Ohio), asking the consent and authority of this Commission to issue common capital stock of the par value of \$25,000, \$20,000, par value, thereof to be issued and delivered in full and final payment of the consideration for the properties of The Frazeytsburg Telephone Company and The Frazeytsburg Bell Telephone Company, the purchase of which, by applicant, was duly consented to and approved by the order this day made and entered in proceeding No. 1524,* and the proceeds arising from the sale of \$5,000, par value, thereof to be used to defray the costs of unifying and improving said properties.

The Commission, being fully advised in the premises, finds that the value of said properties so to be acquired by the applicant is not less than the par value of the said capital stock to be issued therefor, that the reasonable net cost of unifying said properties will be the sum of \$650, and that the issue of applicant's capital stock of the par

* See p. 1692, *supra*.

value of \$20,650 is reasonably required and the money to be procured thereby necessary for the acquisition of property to be used and useful for the convenience of the public in the prosecution of applicant's corporate purposes, and the construction, completion, extension and improvement of its facilities, and is satisfied that consent and authority for the issue and disposition of applicant's capital stock of the par value of \$20,650 should now be granted.

It is, therefore, ordered, That said The Frazeyburg Home Telephone Company be, and hereby it is, authorized to issue its common capital stock of the par value of \$20,650, and that \$650, par value, of said capital stock, be sold for the highest price obtainable but for not less than the par value thereof.

It is further ordered, That \$20,000, par value, of said capital stock and the proceeds arising from the sale of \$650, par value, of said capital stock be devoted to and used for the following purposes, and no others, to-wit:

(a) \$20,000, par value, of said capital stock to be issued and delivered, as fully paid and non-assessable, as the full and final consideration for the properties of The Frazeyburg Telephone Company and The Frazeyburg Bell Telephone Company, the purchase of which, by applicant, was duly authorized by the order this day made and entered in proceeding No. 1524.*

(b) The proceeds arising from the sale of \$650, par value, of said capital stock to be used to pay the net cost of unifying said properties.

It is further ordered, That the applicant make verified report to this Commission of the issue and disposition of said capital stock and the expenditure of the proceeds of that part thereof sold, pursuant to the terms and conditions of this order.

And it appearing that the applicant has not, at this time, definitely determined the character of the additions and extensions to be made to its property,

It is further ordered, That the further consideration of said application, insofar as it asks consent and authority to issue other and additional capital stock to provide funds

* See p. 1692, *supra*.

C. L. 89]

for the extension and improvement of its facilities, be, and hereby it is, deferred pending the filing of detailed estimates of such expenditures.

And the Commission coming now to consider the matter of the acceptance of applicant's said capital stock by said The Frazeyburg Telephone Company and said The Frazeyburg Bell Telephone Company pending the distribution of the same among their several stockholders and the dissolution of said corporations, finds, for the purposes of this proceeding and order, that the convenience of the public will be promoted thereby and that the public thereby will be furnished adequate service for a reasonable and just rate, rental, toll or charge therefor, and is satisfied that its consent and authority therefor should be granted.

It is, therefore, further ordered, That said The Frazeyburg Telephone Company and said The Frazeyburg Bell Telephone Company be, and each hereby is, authorized to accept and hold, pending the distribution of the same among their several stockholders and the dissolution of said corporations, \$10,000, par value, of the common capital stock of said The Frazeyburg Home Telephone Company.

Dated at Columbus, Ohio, this thirty-first day of March, 1919.

In re APPLICATION OF THE NEWARK TELEPHONE COMPANY FOR
AUTHORITY TO ISSUE STOCK.

No. 1641.

Decided March 31, 1919.

**Issue of Stock by a Foreign Corporation to Retire Outstanding Bonds,
Authorized.**

ORDER.

This day, (the Commission having heretofore deemed a hearing thereupon to be unnecessary), this matter came on for consideration upon the application of The Newark Telephone Company, (a corporation organized under the laws of West Virginia and duly authorized to do business in the State of Ohio), asking the consent and authority of this

Commission to issue 6 per cent. cumulative preferred capital stock of the par value of \$10,000, the proceeds arising from the sale thereof to be used to discharge 6 per cent. mortgage bonds of the principal sum of \$10,000 which mature April 1, 1919:

Upon consideration whereof, and being fully advised in the premises, the Commission finds:

(1) That the applicant has issued and outstanding mortgage bonds of the principal sum of \$10,000 which mature April 1, 1919, and must, upon said day, be paid and discharged or refunded;

(2) That the issue of applicant's preferred capital stock of the par value of \$10,000 is reasonably required and the money to be procured thereby is necessary for the payment and discharge of applicant's aforesaid lawful indebtedness;

and is satisfied that consent and authority for the issue and disposition of said preferred capital stock should be granted.

It is, therefore, ordered, That said The Newark Telephone Company be, and hereby it is, authorized to issue its 6 per cent. cumulative preferred capital stock of the total par value of \$10,000 and that said capital stock be sold for the highest price obtainable but for not less than the par value thereof.

It is further ordered, That the proceeds arising from the sale of said capital stock be used to pay and discharge applicant's 6 per cent. mortgage bonds of the principal sum of \$10,000, which mature April 1, 1919, and devoted to no other purpose whatsoever.

It is further ordered, That, forthwith upon the payment of said maturing bonds, the same be cancelled and destroyed.

It is further ordered, That the applicant make verified report to this Commission of the issue and disposition of said preferred capital stock, the expenditure of the proceeds thereof and the cancellation and destruction of said discharged mortgage bonds pursuant to the terms and conditions of this order.

Dated at Columbus, Ohio, this thirty-first day of March, 1919.

OKLAHOMA.

Corporation Commission.

**J. T. GIBBONS v. SOUTHWESTERN BELL TELEPHONE COMPANY,
Cause No. 3657 and Cause No. 3680, Consolidated.**

Order No. 1550.

*Decided March 27, 1919.**

**Telephone Company Fined for Putting Into Effect, Without Consent of
Commission, Toll Rates Prescribed in Order No. 2495 of Post-
master General.**

ORDER.

The information in Cause No. 3680 alleges that informant is manager of the J. T. Gibbons Grain Company, Incorporated, and that defendant, the Southwestern Bell Telephone Company, violated Commission's Orders No. 101 and No. 1535 in refusing to honor "person to person" calls on short distances and in otherwise enforcing the "new ruling" effective January 21, 1919.

The case came on regularly for hearing and trial before Commissioners Humphrey and Russell on February 18, 1919. Informant testified that on the twenty-second day of January, 1919, he attempted to call one Zinn at Blair, Oklahoma, a town less than twelve miles distant from his place of business at Altus, and that the defendant did not accept a call for Zinn for the reason that such call would constitute "person to person" call and such service was not available.

Informant further testified that he was compelled to call Mr. Zinn's store and that when he had been connected with the Zinn store that he was informed that Mr. Zinn was in Oklahoma City. He was, of course, charged for the call.

Informant further offered testimony to show that on calls for longer distances than twelve miles he was unable to get "station to station" rates and that the calls which he had

*An appeal has been taken by the telephone company to the Supreme Court of Oklahoma.

tried to make "station to station" calls were charged to him as "person to person" calls. Counsel for defendant company objected to this line of testimony inasmuch as the information did not contain specific allegations as to this matter.

Informant thereupon filed additional information in which he made the following additional specific allegations:

"1. That defendant has, since the twenty-first day of January, 1919, charged a greater and different rate for toll or long distance service than that in effect prior to said date and allowed by the orders of the Corporation Commission.

2. That on the twenty-second day of January, 1919, informant attempted to get 'station to station' service in Oklahoma City by calling the Oklahoma Elevator Company but was charged 'person to person' rates therefor; that informant had the same experience three other times on this same date with Oklahoma City calls.

3. That on the twenty-third day of January, 1919, informant attempted to place 'station to station' call for Smith and Melton, Eldorado, Oklahoma, but was charged 'person to person' rate therefor.

4. That on numerous other occasions informant and his firm attempted to place 'station to station' calls but was charged 'person to person' rates therefor, to-wit, January 24, Oklahoma City; January 25, Smith and Melton, Eldorado, Hendricks and Scruggs, Hollis, Polson Grain Company, Oklahoma City; January 28, Hendricks and Scruggs, Hollis, Polson Grain Company, Oklahoma City, two other calls, Oklahoma City; January 29, Polson Grain Company, Oklahoma City; February 3, Polson Grain Company, Oklahoma City; February 13, Smith and Melton, Eldorado.

5. That on January 27, 1919, one Durham put in a call for May, Oklahoma, collect, but that the defendant company refused to accept a 'station to station' call and charged the firm of J. T. Gibbons Grain Company 'person to person' rates.

6. That on January 28, 1919, informant was charged 20 cents for a report on a call which he had put in to Manitou for one Snelling.

7. Informant states that all the charges made in the foregoing were different from those rates and charges prescribed by the Corporation Commission and in effect prior to January 21, 1919."

Hearing and trial was held on the second affidavit on the twelfth day of March, 1919, before the Commissioners Russell and Walker.

Informant's testimony shows that on all the calls mentioned in the specific allegations heretofore quoted,

C. L. 89]

informant attempted to get "station to station" rates by calling for the telephone of the company or party called. The bill presented by the telephone company to informant was introduced as an exhibit in the case and was examined by witnesses for the defendant. It was admitted by these witnesses that "person to person" rates were charged for the most of the calls, but it was explained that the tickets of the telephone company generally showed some notation which classed the call as a "person to person" call. Among these notations were "any one who can talk business," a reference to a particular department of the company, called, etc.

From the testimony it is impossible to determine just what course a subscriber would pursue in order to get the benefit of "station to station" rates. The situation to the average telephone subscriber must appear to be well nigh hopeless. He is confounded with an amazing net of complex rules and regulations of the telephone company and is aware that in the end his bill will depend upon records kept by the telephone company of which he has no copy or means of rebuttal. So far as his situation is concerned it must appear to him that there might just about as well be no "station to station" rates offered and that the telephone company might just as well bill each call as "person to person." Nor does the explanation of the telephone company, that it attempts to be fair and reasonable in the adjustment of the accounts help the situation. The average telephone patron would far rather pay his bill without protest than to go through the mental anguish of attempting to straighten out an account with the Southwestern Bell Telephone Company and listen to the explanations offered.

There was no attempt made by the telephone company to deny the allegation that different rates and practices are in effect than those prescribed by the Commission. The plea is made that these rates and practices were ordered by the Postmaster General and made effective by his order as of January 21, 1919.

The Commission has heretofore reviewed the laws in this matter and expressed its opinion thereon in Cause No.

3641, Order No. 1541,* and it is unnecessary to repeat here what was said therein. Fines were assessed in that case of \$500 per day for each day's violation of Order No. 101†, from January 21, 1919, up to and including February 11, 1919.

The Commission finds that Order No. 101† of the Corporation Commission has been violated by the defendant herein, as heretofore set forth, and that said order was violated, among other dates, on or about the thirteenth day of February, 1919, and that fine therefor should be assessed in the sum of \$500 and all costs of this proceeding.

Wherefore, premises considered and the Commission being advised,

It is, therefore, ordered, That the defendant, the Southwestern Bell Telephone Company be and is hereby adjudged and held guilty of violation of Commission's Order No. 101† as hereinbefore set forth and that fine be and is hereby assessed in the sum of \$500 and all costs of this proceeding.

Done at Oklahoma City, Oklahoma, this twenty-seventh day of March, 1919.

T. B. HENDERSON *v.* J. W. BRADBURN, MANAGER OF REMUS TELEPHONE COMPANY, C. BOARMAN, MANAGER AND OWNER OF TECUMSEH TELEPHONE COMPANY, AND THE SOUTHWESTERN BELL TELEPHONE COMPANY.

Cause No. 3626 — Order No. 1553.

Decided March 31, 1919.

Reestablishment of Physical Connection Ordered.

OPINION AND ORDER.

Complaint was filed by T. B. Henderson, Route No. 2, McComb, Oklahoma, against the above-named defendants.

* See Commission Leaflet No. 88, p. 1405.

† II. C. T. C. 729.

The material allegations of the complaint, which complaint is sworn to by said T. B. Henderson, are as follows:

"1. That complainant is a resident of Pottawatomie County, Oklahoma; that his address is Route No. 2, McComb, Oklahoma; that he is a subscriber of the Remus telephone exchange.

2. That the defendant, J. W. Bradburn, is manager of the Remus telephone exchange and owner of same, subject to certain leases and contracts; that the defendant C. Boarman is manager, owner and in control of the Tecumseh Telephone Company, which owns and operates an exchange in the city of Tecumseh, and a certain long distance line extending from the city of Tecumseh to the town of Maud, and near the Remus exchange switching board; that defendant, the Southwestern Bell Telephone Company owns and operates an exchange at the town of Maud, Oklahoma, and has connection with the lines controlled by the defendant J. W. Bradburn at Remus, Oklahoma.

3. That complainant and other persons are unable to get either long distance or exchange service between the city of Tecumseh and the Remus exchange, except that calls may be sent from the Remus exchange over Southwestern Bell lines by way of Shawnee, and that complainant and other persons are unable to talk from the Remus exchange to the city of Tecumseh or from the city of Tecumseh to the 'phones connected with the Remus exchange, except by certain arrangements known only to defendants and which arrangements cause insuperable difficulties and great inconvenience to complainant."

Another paragraph of the complaint alleges violation of Commission's Order No. 912,* which order requires telephone companies to maintain physical connections and traffic arrangements in existence so as to continue to give service.

This case is the outgrowth of the complaint in Cause No. 3600, *J. P. Cook et al. v. J. W. Bradburn*,† and the failure of the patrons of the Remus telephone exchange to get long distance service through with Tecumseh, the county seat of Pottawatomie County, is indirectly due to the situation in which the Remus telephone exchange and its present management find themselves.

It is not worth while to review again the facts discussed in Cause No. 3600. Mr. T. B. Henderson was one of the witnesses in that case, and persons interested in the two

* See Commission Leaflet No. 41, p. 1229.

† See Commission Leaflet No. 90.

cases are familiar with the facts. The only point deserving special consideration in this case, in addition to the facts fully developed in the former hearing in Cause No. 3600, is the failure of the manager of the Remus Telephone Company and the manager of the Tecumseh Telephone Company to maintain physical connection so as to give service direct between Remus and Tecumseh.

Patrons of the Remus telephone exchange, it appears, can now get service with Tecumseh by sending their messages in a roundabout way over the lines of the Southwestern Bell Telephone Company. This does not, however, appear to be the fault of the Southwestern Bell Telephone Company and there seems no reason for holding this company liable for the conditions existing herein or for fine in this case.

J. W. Bradburn, the manager of the Remus Telephone Company and C. Boarman, manager and owner of the Tecumseh Telephone Company, have both been grossly negligent in failure to maintain physical connection and to look after the matter of service between the patrons of Remus exchange and the city of Tecumseh. The excuse offered by the manager of the Remus exchange company is that the manager of the Tecumseh Telephone Company carelessly or wantonly misinterpreted the Commission's order* in reference to switching rates and demanded a charge out of reason for this service. He also pleads that the line over which the manager of the Remus Telephone Company desired to get toll messages to the Remus patrons was greatly overloaded.

The Commission finds that C. Boarman, manager and owner of the Tecumseh Telephone Company is guilty of violation of Commission's Order No. 912† for failure to maintain physical connection and to give toll service between Tecumseh and the patrons of Remus Telephone Company and is liable to fine therefor.

In Cause No. 3600, the Commission found that it is

* See Commission Leaflet No. 59, p. 1276.

† See Commission Leaflet No. 41, p. 1229.

C. L. 89]

impracticable for the Commission to attempt to make or enforce any order in reference to rates until the property rights in the Remus Telephone Company shall have been determined and until some definite arrangement is made for responsible management of this property, through action in a law court of competent jurisdiction. This condition existing it will be impossible to make any satisfactory order herein. The manager of the Tecumseh Telephone Company and the manager of the Remus Telephone Company should re-establish telephone connection and should give such service as is available until the stockholders of the Remus Telephone Company and J. W. Bradburn have settled their difficulties in court.

Wherefore, premises considered and the Commission being advised,

It is, therefore, ordered, That J. W. Bradburn, manager of the Remus Telephone Company and C. Boarman, manager and owner of the Tecumseh Telephone Company, shall re-establish physical connection and shall give service between the city of Tecumseh and the Remus telephone exchange and to the patrons of the Remus telephone exchange.

The assessment of fines against the defendant, C. Boarman, will be held up pending the re-establishment of physical connection ordered herein.

Done at Oklahoma City, Oklahoma, this the thirty-first day of March, 1919.

SOUTH DAKOTA.

Board of Railroad Commissioners.

P. B. HOUGHTON *et al.* v. DAKOTA CENTRAL TELEPHONE COMPANY.

No. 3369.

Decided March 10, 1919.

Long Distance Service Should be Furnished Provided Necessary Agent Can be Found.

FINDINGS AND CONCLUSIONS.

The complaint in this case was filed by several residents of Osceola, in which it is alleged that the Dakota Central Telephone Company, prior to July, 1918, maintained a long distance toll station in Osceola for a period of approximately ten years; that on or about July 2, 1918, the long distance telephone instrument was removed from the residence of Mr. G. W. Doner, and the long distance telephone station discontinued. Hearing was held in the matter at Huron, the complainants being represented by *Mr. G. W. Doner* and the defendant company by *Mr. T. H. Null*, its attorney, and *Mr. W. G. Bickelhaupt*, its secretary.

The record shows that the total receipts of the station for the year 1917 were \$84.92. This amount includes messenger fees collected in the sum of 90 cents and war tax amounting to \$3.45. The disbursements for the same period amount to \$73.39, and include messenger fees paid amounting to \$6.30 and additional compensation allowed Mr. Doner of \$9.04 and the war tax amounting to \$3.45, leaving a net balance in cash receipts of \$11.53. No allowance has been made for maintenance, depreciation, taxes, general or other elements of expense, neither has a return on the investment been considered. It appears to have been the policy of the company to grant to its toll station agents certain so-called courtesies of the line. In other

words, its former practice was to permit its agents to transmit personal messages over its lines at least to a limited amount without cost to such agents. During the last ten months of the year 1917, an arrangement was in force whereby its agent, Mr. Doner, was allowed free toll service limited to \$1.00 per month. During that period the said agent received, as previously stated, service amounting to \$9.04. In February, 1918, by general instruction to all agents, the company discontinued the practice of extending this courtesy to its agents and this discontinuance is really the cause underlying this complaint and resulted in the discontinuance of toll service at Osceola. Mr. Doner, believing that he was entitled to the limited amount of free service formerly granted, refused longer to act as agent of the company unless the privilege was continued, and upon being informed by the officials of the company that its decision to discontinue the practice was irrevocable, he refused to act further as their agent, and requested that the telephone be removed from his premises. This the company proceeded to do, thereby depriving the people of Osceola of the use of toll line facilities. The company states its willingness to re-establish a long distance toll station at Osceola provided it is possible to secure a suitable place for the installation of the equipment and some proper person to act as its agent and take care of the business for the compensation paid at other and similar stations. The compensation paid for the handling of toll messages at exchange stations in this State is fixed by law upon the basis of not to exceed 5 cents on each incoming and outgoing toll message unless otherwise changed by the Board of Railroad Commissioners. The amount of the compensation fixed in the statute has been the subject of considerable controversy and actions have been commenced before the Commission by the South Dakota Telephone Association and its members calling for investigation of the reasonableness of the compensation in question, and though the complainants have been given every opportunity to be heard they apparently were not prepared for trial and to date no change has been made by the Commis-

sion with respect to the fees or compensation that may be paid an exchange company or agent for the handling of toll business. While it appears true that the compensation received by Mr. Doner as agent of the company at Osceola is very small for the trouble incident to the operation of a public toll station, it is likewise true that the net earnings of the company at that station are also very slight, and to require the company to increase its operating expenses at that station would practically deprive it of any net revenue whatever. Again, to require the company to pay a higher or greater compensation than permitted by the statute would establish a precedent whereby a burden would be placed upon the company inasmuch as it would be required to compensate other agents under similar conditions in like manner. Unless the toll service prayed for is re-established the only means of communication with outside points available to the people of Osceola will be over the rural farm line of the Iroquois-Bancroft Telephone Company. The latter company operates rural party telephone lines in this territory, one of which extends from Iroquois to Bancroft, upon which the people of Osceola are furnished telephone service. Serious complaint is made on behalf of the business interests of Osceola against the inadequacy and insufficiency of rural line facilities for handling commercial or toll line business. It is strongly contended by patrons that the toll line service should be re-established in order that it may be possible for the public to secure proper and reasonable service with the outside world; that in being required to transmit business or commercial messages over rural party line facilities a real burden is imposed; that much business that ordinarily would be transacted over the telephone cannot be so handled on account of the impossibility of securing the necessary secrecy.

From the record it clearly appears that the people of Osceola are in need of and require long distance telephone service and it likewise appears that the company is willing to provide such service and re-establish the connection provided that some proper person can be found to undertake the agency for the compensation fixed by statutory require-

APPLICATION OF MOODY COUNTY TELEPHONE Co. 1709

C. L. 89]

ment. The company has endeavored to find a party willing to accept the agency and has failed to do so. Certainly the company cannot compel anyone to act as such agent. It quite clearly appears that if the good people of Osceola are to enjoy long distance telephone service over toll equipment they must induce one of their number to provide room for the necessary installation and act as agent of the company in the usual manner and upon the usual terms covering like situations. No order will be entered at this time, but should a person agreeable to making the necessary sacrifice accept the agency and the company refuse or fail to re-establish the service, a suitable order will be entered in accordance with the facts herein shown.

Done in regular session at the city of Pierre, the Capital, on this tenth day of March, 1919.

In re APPLICATION OF THE MOODY COUNTY TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES.

No. 3479.

Decided March 14, 1919.

**Increase in Rates Authorized — Discount for Prompt Payment Approved —
— Allowance of 6 Per Cent. Made for Reserve for Depreciation —
Allowance of 7 Per Cent. Made for Return on Investment —
Re-arrangement of Switchboard to Eliminate Possibility of
Interference, by Public, with Operators in Their Work,
Ordered — Rule Limiting Conversations to Five
Minutes Suggested.**

Applicant sought authority to increase its business rate from \$1.65 to \$2.50, its residence rate from \$1.00 to \$1.75 for individual line service and \$1.25 for party line service, and its rural rates from \$1.25 to \$1.50, the proposed rates to be subject to a discount of 25 cents per month for prompt payment.

The Commission found that the fair present value of the property, including \$1,000 for working capital and \$1,000 for supplies on hand, was \$56,000; that although gross operating revenues had increased each year from 1915 to 1918, nevertheless, operating expenses had increased considerably more, with the result that net revenues had steadily decreased; that if applicant were compelled to operate during the year 1919 under

the old rates, it would incur a deficit of \$2,907.35, and even under the proposed rates, on a basis of a valuation of \$56,000, after allowing 6 per cent. for reserve for depreciation and 7 per cent. for return on investment, there would be a deficit of \$691.55.

Held: That, as the business rate of the applicant was unreasonably low, and as it was proper to make a difference in rates between the rate for individual line service and that for party line service, the proposed increases should be authorized and the discount provision approved;

That applicant should so re-arrange its office that the operators would not be accessible to the public and thereby prevent the public from visiting with operators while the latter were on duty; furthermore, the company should forbid operators from carrying on any other occupation while at the switchboard, from side conversations, reading books, papers, etc.;

That the switchboard should be so arranged in the office as to afford plenty of light and good, comfortable quarters for the operators;

That the operators should be schooled to disconnect subscribers' stations as soon as the subscriber rings off, for many times subscribers wish to talk to several persons in succession, and it is very disheartening to a subscriber to be unable to get the local operator to disconnect him so that he may call the operator for another message;

That as many of the complaints as to poor service were due to subscribers visiting on the line, the Commission would approve a rule limiting telephone conversations to five minutes, and such a rule should be promulgated at once and immediately served upon or mailed to the subscribers, and it should be enforced, as it would have a very salutary effect in improving the service.

REPORT.

In this case we have an application from the Moody County Telephone Company for an increase in its telephone rental rates. The case was heard at Flandreau on March 12, 1919. The Moody County Telephone Company appeared by *Mr. J. W. Miller*, its secretary-treasurer and manager. *Mr. Lewis Benson* of Flandreau appeared for the purpose of developing the facts. *Mr. Frederick A. Warren*, city attorney, appeared on behalf of the city.

While the Moody County Telephone Company is a corporation organized under the laws of this State, it is practically owned and operated by Miller Brothers. The plant consists of exchanges at the cities of Flandreau, Egan and Colman and of rural lines throughout Moody County.

APPLICATION OF MOODY COUNTY TELEPHONE CO. 1711

C. L. 89]

The rates of the company now in effect and which have been in effect for a very great number of years are as follows:

	<i>Per Month</i>
Business telephones	\$1 65
Residence telephones	1 00
Rural party telephones.....	1 25

The application on behalf of the company is to publish and put into effect a schedule of rates as follows:

	<i>Per Month</i>
Business telephones	2 50
Residence telephones, main line.....	1 75
Residence telephones, party line.....	1 25
Rural party telephones.....	1 50

subject to a discount as to the business and residence rates of 25 cents per month when the rates are paid in advance on or before the fifteenth day of the current month and as to the rural lines when paid quarterly in advance on or before the fifteenth day of the first month of the current quarter.

The application for the increase in the rates is based upon the increased cost of labor and materials; that the company has been compelled to pay very much higher prices for all classes of materials entering into the maintenance of its telephone plant and has been compelled to advance wages of its employees to such an extent that it must have additional revenue of approximately \$2,000 per annum or it will be compelled to operate at a loss.

The statistician of this Board has made an examination of the accounts of the company for the years 1915 to 1918, both inclusive, and our engineer has made a valuation of the plant. According to the books of the company the cost of the plant and equipment amounts to \$44,699.14 or an average value per subscriber's station of \$39.70, which is a very low valuation and far below the average. The company has 1,097 subscribers and on a basis of a value of \$50.00 per subscriber's station the total valuation of the plant would be approximately \$54,850. The cost of repro-

duction new as found by our engineer amounts to \$77,554, while this cost less depreciation or the present value of the plant amounts to \$54,179. The plant has been very economically constructed and maintained and the record cost to the company as shown by its books is far below the actual cost of construction. The record shows that it costs approximately \$1,000 to carry its monthly bills and that for the proper maintenance of the plant it should carry on hand approximately \$1,000 worth of supplies and it is not only a fair but a conservative statement to make that with these allowances for supplies and working capital the company owns a plant worth not less than \$56,000.

The following figures taken from the books of the company accurately show the tendency of the decline in revenue for the years 1915, 1916, 1917 and 1918:

	1915	1916	1917	1918
Revenue.....	\$16,386 68	\$16,778 72	\$17,583 23	\$18,963 23
Expenses.....	10,668 52	11,623 48	13,180 44	15,343 79
Net revenue.....	\$5,718 16	\$5,155 24	\$4,402 79	\$3,619 44
Taxes, state.....	\$394 24	\$431 84	\$584 70	\$635 20
Taxes, federal.....	36 21	63 25	91 20	245 01
	\$430 45	\$495 09	\$675 90	\$880 21
Net income.....	\$5,287 71	\$4,660 15	\$3,726 89	\$2,739 23

NOTE: In 1916 deduct uncollectible accounts, \$322.67, leaving a net income of \$4,337.48.

From the foregoing table it will be noticed that there was an increase in revenues each of the four years and it will likewise be noticed that there was a much larger increase in the operating expenses. The taxes in 1918 over 1916 represented an increase in the State of 61.12 per cent. and in the federal taxes of 376 per cent. There was an increase of 15.72 per cent. in the operating revenues for 1918 over 1915, while the increase in the operating expenses for the same years amounted to 43.82 per cent. There was

C. L. 89]

a total increase in operating expenses and taxes in 1918 of 46.17 per cent. over 1915, while the net operating income for 1918 as compared with 1915 represented a decrease in revenues of 93 per cent. In 1915 the rate of return was 13.67 per cent., in 1916 10.47 per cent., in 1917 8.74 per cent., and in 1918 6.13 per cent., a constant decline in revenue from year to year. If the company were compelled to operate during the year 1919 at the increased cost of operation, including the advance in the prices of materials and labor, under the present rates it would incur a deficit of \$2,907.35. On the basis of a valuation of \$56,000, under the proposed rates, after allowing 6 per cent. for a depreciation reserve and a rate of return equivalent to 7 per cent., there would be a deficit of \$691.55. On the basis of the value of the plant and equipment as shown by the records of the company the present rates will afford a rate of return, after allowing 6 per cent. for depreciation reserve, equivalent to 1.36 per cent., whereas on the same basis the proposed rates will afford a rate of return of 5.32 per cent.

The business rate of the Moody County Telephone Company of \$1.65 is very much below the average for cities of the size of Flandreau and is, in our opinion, unreasonably low. The company maintains what it is pleased to call individual lines as well as party lines but quotes the same rate for each. It is a well known fact that the main line service is the more valuable and much more to be preferred and that the party line service should be furnished at a lower rate than is charged for the main or individual line service. We are impressed with the fact that in this case the Moody County Telephone Company has made out a clear cut, strong case for an increase in its telephone rental rates and we are likewise of the opinion that the rates proposed are, for the services furnished to the patrons of the company, fair, just and reasonable. Our examination, through our statistical department, of the books of the company and our valuation of its plant by our engineer discloses an unusual coincidence in that both our statistician and our engineer arrive at almost identically the same figures. Our statistician's figures show, making no allowance for work-

ing capital and supplies, a valuation of \$54,850, while the depreciated value of the plant as shown by our engineer is \$54,179, or a difference of \$671.

After a careful consideration of all of the evidence in this case, we are of the opinion and find that the books of the company do not represent the actual cost of construction of the plant; that for the purposes of this case a fair and reasonable value of the plant is \$56,000 and that the application of the company to increase its rates must be granted effective as of April 1, 1919.

At the hearing it was disclosed that the Miller Brothers were furnishing their private automobiles for the service of the company and making a charge only for the actual supplies or a rental charge. The plan usually adopted and the one which we believe accords more nearly with proper practice is to require the telephone company to furnish all of its equipment including such vehicles, automobiles or otherwise, as may be necessary for use in the maintenance of the plant. Under such a plan the telephone company stands the actual expense of ownership, operation, repairs and depreciation in the vehicle and we recommend that plan to the careful consideration of the applicant in this case.

At the hearing there was some objection to the service rendered by the company and it developed from the testimony that the switchboard is in a general office where the operators are accessible to the public and more or less visiting takes place. This is bound to interfere with good service. A telephone operator may not successfully visit and attend to the wants of the subscribers at the same time. The telephone company will be required to so rearrange its office as to eliminate this practice of visiting and the carrying on of any other occupation by the operators while at the switchboard. Side conversation and reading of books and papers should be entirely eliminated during working hours. The switchboard should be so arranged in the office as to afford plenty of light and good comfortable quarters for the operators, but the public should be excluded from

APPLICATION OF MOODY COUNTY TELEPHONE CO. 1715

C. L. 89]

the privilege of visiting. We can think of nothing more aggravating than poor telephone service. The record shows also the necessity for schooling the operators to disconnect subscribers' stations as soon as the subscriber rings off. Many times subscribers wish to talk to several persons in succession and it is very disheartening to the subscriber to be unable to get the local operator at the exchange to disconnect at the ring off so as to enable the subscriber to call the operator for another message. This fault lies wholly with the operator and is a mere want of proper attention to the switchboard. The company should be permitted to make its own arrangements, to re-arrange its switchboard and office to accomplish the results here outlined, and the operators should be carefully instructed to disconnect promptly when subscribers ring off and to answer promptly when subscribers ring in.

The manager of the company in answer to the complaints as to the failure of the service admits in part the interference with the service through visiting and the ready access which the public have to the operators at the switchboard but likewise attributes a large portion of the difficulty to the fact that subscribers have been known to hold a line for as high as twenty-five minutes for continuous conversation with one person or for the transmission of one communication or message. This should not be permitted and this Board will approve a rule limiting telephone conversations to five minutes. Such a rule should be promulgated at once and immediately mailed or served upon the subscribers and it should be enforced. It will undoubtedly have a very salutary effect in increasing the service. Persons who show a tendency to talk for a longer period than five minutes should be courteously informed that their time is up and the 'phone disconnected. There may arise emergencies where this rule should not be enforced and that should be left to the good sense and sound judgment of the subscribers and the operators. The subscribers should know that when they hold a telephone for a period longer than five minutes that they are making

1716 SOUTH DAKOTA BOARD OF RAILROAD COMMISSIONERS.

[S. D.]

use of the entire line and depriving other subscribers of telephone service.

Done in regular session at the city of Pierre, the capital, on this fourteenth day of March, 1919.

ORDER.

In this case the Board having completed its investigation and on this date filed its report containing its findings and conclusions, a copy whereof is hereunto annexed, hereby referred to and made a part hereof, and being fully advised in the premises and sufficient cause for this order appearing:

It is ordered, considered and adjudged, That the Moody County Telephone Company be, and it is hereby, authorized to publish and put into effect at its exchanges and on its rural lines the following schedule of rates:

	<i>Per Month</i>
Business telephones	\$2 50
Residence telephones, main line.....	1 75
Residence telephones, party line.....	1 25
Rural party telephones.....	1 50

subject to a discount as to the business and residence rates of 25 cents per month when the rates are paid in advance on or before the fifteenth day of the current month and as to the rural lines when paid quarterly in advance on or before the fifteenth day of the first month of the current quarter; that the offices of the company at Flandreau and other exchanges be so re-arranged as to exclude the public from access to the operators at the switchboard except for the transmission of toll messages; that visiting with the operators be prohibited and all persons other than the operators excluded from the switchboard room; that light, airy, convenient and comfortable quarters be arranged for the accommodation of the operators while at their work and while at work at the switchboard all other occupations, as well as the reading of books and periodicals, be prohibited and the operators schooled to give strict atten-

tion to the switchboard and to promptly answer all calls as they ring in and to promptly disconnect all line immediately on the ring off.

March 14, 1919.

PEOPLES TELEPHONE AND TELEGRAPH COMPANY v. W. G.
FLAT TELEPHONE COMPANY.

No. 3178.

Decided March 17, 1919.

Routing of Toll Messages Over Rural Line Connected With Two Exchanges Forbidden Where Toll Line Existed Between Said Two Exchanges — Contract for Switching Service Ordered Made — Same Rate for Two-Exchange as for One-Exchange Switching Service Held Discriminatory.

Complaint alleged that defendant was routing over its rural line, extending from its exchange at Buffalo Gap to complainant's exchange at Hot Springs, messages originating at its exchange at Buffalo Gap and on the rural lines connected therewith, instead of routing said messages over the metallic circuit toll lines of complainant extending from Hot Springs to Buffalo Gap.

Defendant was charging all of its subscribers, whether connected only with the Buffalo Gap exchange or on the rural line connected with both that exchange and the Hot Springs exchange of the complainant, 25 cents per month, and was paying complainant 25 cents per month for each subscriber on the Buffalo Gap-Hot Springs line. The subscribers on all defendant's lines except the Buffalo Gap-Hot Springs line and a line extending from Buffalo Gap in the general direction of Hot Springs, were outside of the trade territory of Hot Springs and did not require switching service at that point to an extent which would justify the placing of these lines on a switching basis.

Held: That all toll or long distance messages originating at stations other than those covered by the flat rate switching arrangement should be routed over toll equipment, and the practice of attempting to route or of routing such messages over the defendant's rural line to Hot Springs should be discontinued, for to hold otherwise would in effect eventually destroy the toll business as a large part of the toll business is short haul and if the routing of messages between exchanges over rural lines were permitted generally, those engaged in the furnishing of toll line equipment would be compelled either to abandon the property or to increase

the rates for longer distances to a point that would make such rates prohibitive. Furthermore, rural party telephone lines are not suitable for the transmission of through toll or long distance messages. In either case, the toll business would be destroyed and the public as well as the company caused to suffer hardship and inconvenience thereby;

That subscribers who receive two-exchange service should pay a rental of \$4.50 per month, \$1.50 in excess of that paid by subscribers receiving only one-exchange service, for to charge subscribers receiving two-exchange service the same rate as that charged those receiving one-exchange service would be clearly discriminatory;

That complainant and defendant should make a contract covering the connection of defendant's Buffalo Gap-Hot Springs rural line with complainant's Buffalo Gap exchange and providing that switching should be done for not to exceed \$2.25 per year;

That if a majority of the subscribers receiving service on the line running from Buffalo Gap in the general direction of Hot Springs desired service at Hot Springs on a flat rate basis, the contract should contain a provision that such service would be furnished upon the payment by the defendant of a rate of \$1.50 per year for each and every telephone receiving service on said line.

REPORT.

In this case complaint was filed in which it was alleged that the W. G. Flat Telephone Company operates an exchange at Buffalo Gap and rural lines in the territory adjacent to Buffalo Gap, Fairburn, Oral and Smithwick; that the lines of other rural party telephone companies are stationed at Buffalo Gap; that one of said company's lines extends from Buffalo Gap to Hot Springs and is connected with the exchange of the complainant at that point; that the complainant maintains and operates a metallic toll line between Hot Springs and Buffalo Gap; that messages are routed from Buffalo Gap and beyond over the rural party line instead of over the toll equipment to Hot Springs for which no compensation is received by the complainant.

The hearing was held at Hot Springs. The complainant appeared by *Mr. C. L. Jensen*, its president, and the defendant by *Mr. M. Henne* and *Mr. G. A. Shackelford*, its president and secretary, respectively, and others.

The record shows that the Peoples Telephone and Telegraph Company operates exchanges at Hot Springs, Ardmore, Oelrichs and Smithwick, and in connection therewith

operates a limited number of rural party lines and approximately eighty miles of toll line. One of its toll lines extends from Hot Springs to Buffalo Gap, one from Hot Springs to Oral, Smithwick and Oelrichs and one to Ardmore. It has toll line connections with the Wyoming-Nebraska Telephone Company and with the Nebraska Telephone Company; that over its toll lines and connections its subscribers and patrons may receive long distance toll service equal to the best in efficiency and opportunity to secure service. Its equipment, both exchange and toll, is of standard construction and the property is well maintained; that the exchange in Buffalo Gap is jointly owned and operated by the W. G. Flat Telephone Company and the Cheyenne River Telephone Company. This exchange consists of a switchboard and one party line upon which town people are served, and connected therewith are three rural party lines of the Cheyenne River Telephone Company and the several rural party lines of the W. G. Flat Telephone Company. Several of the subscribers residing in town are attached to and receive service from the rural party lines. It is shown of record that four of the town subscribers or business men of Buffalo Gap are receiving service on the rural party line that extends to Hot Springs. One of the lines of the W. G. Flat Telephone Company extends south and west of Buffalo Gap in the direction of Hot Springs and terminates at a point approximately six or seven miles east of the latter named city. Another line extends south and east, running through Oral to Smithwick, another line extends in an easterly direction from Oral and one running south and west of Oral, both of said lines terminating in the country. It quite clearly appears that the lines in the Oral and Smithwick territories are outside of the trade territory of Hot Springs and that the subscribers on such lines do not require switching service at Hot Springs to an extent that would justify the placing of those lines upon the switching basis. The line as previously described as running south and west of Buffalo Gap in the direction of Hot Springs, possibly, on account of its location, should receive switching at Hot Springs. If a majority of the sub-

scribers on this line desire switching service at Hot Springs and are willing to pay the switching charges the service should be furnished and a contract entered into between the parties. The record shows that the W. G. Flat Telephone Company pays to the complainant 25 cents per month or \$3.00 per year for each of the subscribers receiving service on the line having direct connection with Hot Springs. The record likewise shows that the same rental rate is charged to and collected from all of the subscribers of the defendant whether such subscribers are entitled to and receive service at Hot Springs or not. The statute provides among other things that an exchange company may not charge to exceed 25 cents per month or \$3.00 per year per telephone for the switching of any rural party telephone line. The Board has promulgated the rule and it is generally in effect in this State that where a rural party line has direct connection with two exchanges, neither of such exchanges may charge to exceed $18\frac{3}{4}$ cents per month or \$2.25 per year per telephone on a line so switched. It necessarily follows that a contract covering this connection should provide for switching upon the basis of not to exceed \$2.25 per year per subscriber. The subscribers residing in Buffalo Gap who have been attached to and are receiving service on the rural line that has direct connection with Hot Springs or any other rural party line that is covered by the flat rate switching basis should be disconnected from such line or lines and attached to and receive service on the line constructed to serve the town subscribers. All toll or long distance messages originating at stations other than those covered by the flat rate switching arrangement should be routed over toll equipment and the practice of attempting to or of routing such messages over the defendant's rural line to Hot Springs should be discontinued. To hold otherwise would, in effect, eventually destroy the toll business. A large part of such business is short haul and if the routing of messages between exchanges over rural lines were permitted generally, those engaged in furnishing toll line equipment would be compelled to either abandon the property or

C. L. 89]

increase the rates for longer distances to a point that would make such rates prohibitive. Again, rural party telephone lines are not suitable for the transmission of the through toll or long distance messages. In either case, the toll business would be destroyed and the public as well as the company caused to suffer hardship and inconvenience thereby.

Where toll equipment is provided, rural party lines should not be used for the routing of toll messages between exchanges. The practice of the defendant in charging the same rental rate to those rural subscribers that receive Hot Springs service on the flat rate basis that it charges to its subscribers that do not receive such service is clearly discriminatory, and such practice should be immediately discontinued. The defendant should establish and put into effect a rate for those subscribers securing Hot Springs service that is \$1.50 per year in excess of higher than the rate charged to those subscribers who are not entitled to Hot Springs service on the flat rate basis.

As conclusions of law from the foregoing facts, the Board now hereby finds and decides that the connection as now established should be maintained between the rural line of the W. G. Flat Telephone Company and the exchange in Hot Springs of the Peoples Telephone and Telegraph Company; that a contract should be entered into between said companies in which it shall be provided that the rural party line subscribers on the line having direct connection with both exchanges shall be entitled to interchange of service with Hot Springs upon the payment by the W. G. Flat Telephone Company of a switching rate of not to exceed \$2.25 per year per telephone; that if a majority of the subscribers receiving service on the line running south and west of Buffalo Gap desire service at Hot Springs on the flat rate basis, the contract shall contain a provision that such service will be furnished upon the payment by the W. G. Flat Telephone Company of a rate of \$1.50 per year for each and every telephone receiving service on said line; that the W. G. Flat Telephone Company be required to establish and put into effect a rental rate to be paid by

those subscribers on lines having exchange service with Hot Springs upon the flat rate switching basis \$1.50 per year higher than the rate charged to and collected from those subscribers receiving service on lines not entitled to flat rate switching service with Hot Springs; that the telephone stations of its town subscribers in Buffalo Gap be detached from those rural party lines receiving switching service at Hot Springs and be attached to the line or lines installed for the furnishing of town or exchange service in Buffalo Gap; that all messages to Hot Springs originating at stations other than those connected with the switched lines be routed over toll equipment. Twenty days is considered a reasonable time for full compliance with the requirements herein.

Let an order be entered accordingly.

Done in regular session at the city of Pierre, the capital, on this seventeenth day of March, 1919.

ORDER.

In this proceeding the Board having made a complete investigation and on this date filed its report containing its findings and conclusions, and being fully advised in the premises and sufficient cause for this order appearing:

It is ordered, considered and adjudged, That the connection as now established should be maintained between the rural line of the W. G. Flat Telephone Company and the exchange in Hot Springs of the Peoples Telephone and Telegraph Company; that a contract be entered into between said companies in which it shall be provided that the rural party line subscribers on the line having direct connection with both exchanges shall be entitled to interchange of service with Hot Springs upon the payment by the W. G. Flat Telephone Company of a switching rate of not to exceed \$2.25 per year per telephone; that if a majority of the subscribers receiving service on the line running south and west of Buffalo Gap desire service at Hot Springs on the flat rate basis, the contract shall con-

C. L. 89]

tain a provision that such service will be furnished upon the payment by the W. G. Flat Telephone Company of a rate of \$1.50 per year for each and every telephone receiving service on said line; that the W. G. Flat Telephone Company be required to establish and put into effect a rental rate to be paid by those subscribers on lines having exchange service with Hot Springs upon the flat rate switching basis \$1.50 per year higher than the rate charged to and collected from those subscribers receiving service on lines not entitled to flat rate switching service with Hot Springs; that the telephone stations of its town subscribers in Buffalo Gap be detached from those rural party line receiving switching service at Hot Springs and be attached to the line or lines installed for the furnishing of town or exchange service in Buffalo Gap; that all messages to Hot Springs originating at stations other than those connected with the switched lines be routed over toll equipment. Twenty days is considered a reasonable time for full compliance with the requirements herein.

March 17, 1919.

In re APPLICATION OF CAVOUR TELEPHONE EXCHANGE COMPANY FOR AUTHORITY TO INCREASE RATES.

No. 3446.

Decided March 26, 1919.

Increase in Business, Residence, Rural and Switching Rates Authorized
— Increase in Terminal Fee Denied.

REPORT.

In this case the telephone company makes application for an increase of its telephone rental rates at Cavour. The case was heard at Huron. The telephone company appeared by *Mr. G. W. Martins*, its secretary. The Cavour Southern Telephone Company, a connecting company, appeared by *Mr. Frank Meyer*.

The rates in effect at Cavour are as follows:

Business, per month, per telephone.....	\$1 50
Residence, per month, per telephone.....	1 00
Rural party line, per month, per telephone.....	1 00
Switching rural party line, per year.....	1 00
Terminal fee, per completed message.....	05

The company applies for permission to put into effect the following schedule:

Business, per month, per telephone.....	\$2 50
Residence, per month, per telephone.....	1 50
Rural party line, per month, per telephone.....	1 50
Switching party line, per year.....	5 00
Terminal fee, completed message.....	10

The company bases its application for an increase in rates on the ground that under the present rates it is operating at a loss. Practically no evidence was introduced at the hearing to substantiate its contention in this regard except a general statement that the cost of labor and material had greatly increased and that the present revenue was insufficient to pay operating costs and properly maintain the plant. The annual reports of the company which are on file with this Board were for the purposes of this case made part of the record. A careful examination of these reports together with the information secured at the hearing indicate that the company is entitled to some relief and it also appears that the service of the company should be further classified. The practice of the company has been to charge the same rate for main line service that it charges for party line service. This practice should be discontinued and rates established covering each class of service offered to its patrons.

The matter of permitting the company to increase the charge for originating and terminating toll messages is fully covered by the statute. Section 6 of Chapter 289 of the Session Laws of 1909, as amended by Chapter 218 of the Session Laws of 1911, contains the following proviso:

"That all terminating fees for incoming or outgoing toll messages shall be uniform and the maximum charge on each incoming or outgoing

C. L. 89]

telephone message shall not exceed 5 cents for any message originating or terminating in this state unless otherwise ordered by the Board of Railroad Commissioners."

The question of the reasonableness of this compensation has been before us in former actions. No evidence, however, has been submitted in this or any other case that would warrant this Board in authorizing a higher or different basis of compensation than that fixed in the statute. The request of the company that it be permitted to charge a 10 cents terminal fee is denied.

In the application we are asked to approve a rate of \$5.00 per year per telephone for the switching of rural party telephone lines. The company is now charging \$1.00 per year per telephone for such service. No testimony was offered in justification of the \$5.00 rate. The rate now charged is clearly unremunerative and some increase in this rate should be made. Section 8 of Chapter 289 of the Session Laws of 1909 provides among other things that the maximum charges for switching shall not exceed 25 cents per month for each instrument on any rural party line connected with an exchange.

From the evidence it appears that the Logan Banner Telephone Company operates a rural party telephone line that is connected by means of a farm switch with the line of the Cavour Southern Telephone Company. It is not clear whether this company receives switching service at the exchange in Cavour or not. If such switching is secured, a contract with the Logan Banner Telephone Company on the basis of not to exceed \$1.50 per year, per telephone, should be executed and a certified copy of such contract filed with this Board. Under the rules in effect in this State, the switching charges covering a line that has direct connection with two exchanges may not exceed \$2.25 per year per telephone at either exchange, and where a line receives exchange service through or by means of a necessary farm switch, the charge may not exceed \$1.50 per year per telephone.

After a careful consideration of all of the evidence in this case, we are of the opinion and find that the Cavour

Telephone Exchange Company should be authorized to establish and put into effect the following schedule of telephone rental rates:

Main line, business, per month, per telephone.....	\$2 00
Party line, business, per month, per telephone.....	1 75
Main line, residence, per month, per telephone.....	1 50
Party line, residence, per month, per telephone.....	1 25
Rural party line, per month, per telephone.....	1 25
Switching party line, one exchange only, per year, per telephone	3 00
Switching party line, two exchanges, per year, per telephone.	2 25
Switching party line, through farm switch, per year, per telephone	1 50

Said rates to be made effective on and after April 1, 1919.

An order will be entered accordingly.

Done in regular session at the city of Pierre, the Capital, on this twenty-sixth day of March, 1919.

ORDER.

In this case, the Board having completed its investigation and on this date filed its report containing its findings and conclusions, and being fully advised in the premises and sufficient cause for this order appearing:

It is ordered, considered and adjudged, That the Cavour Telephone Exchange Company be, and it hereby is, authorized to establish and put into effect at Cavour, effective on and after April 1, 1919, a schedule of rates as follows:

Main line, business, per month, per telephone.....	\$2 00
Party line, business, per month, per telephone.....	1 75
Main line, residence, per month, per telephone.....	1 50
Party line, residence, per month, per telephone.....	1 25
Rural party line, per month, per telephone.....	1 25
Switching party line, one exchange only, per year, per telephone	3 00
Switching party line, two exchanges, per year, per telephone.	2 25
Switching party line, through farm switch, per year, per telephone	1 50

March 26, 1919.

WASHINGTON.

Public Service Commission.

PUBLIC SERVICE COMMISSION *et al. v.* THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY AND ALBERT S. BURLESON, POSTMASTER GENERAL OF THE UNITED STATES, AS DIRECTOR OF TELEGRAPH AND TELEPHONE SYSTEMS.

PUBLIC SERVICE COMMISSION OF WASHINGTON *et al. v.* THE HOME TELEPHONE AND TELEGRAPH COMPANY OF SPOKANE, AND ALBERT S. BURLESON, POSTMASTER GENERAL OF THE UNITED STATES, AS DIRECTOR OF TELEGRAPH AND TELEPHONE SYSTEMS.

No. 4747 Consolidated.

Decided March 20, 1919.

Increase in Exchange Rates Authorized — Contract Between Postmaster General and Bell System Considered — Comparison Made With Rates Charged in Other Cities.

On November 6, 1918, The Home Telephone and Telegraph Company of Spokane which had been taken over by the President on July 31, 1918, under the Resolution of Congress of July 16, 1918, and placed by the President in the hands of the Postmaster General, filed, with the approval of the Postmaster General, a tariff of rates which would generally increase the exchange rates of the Home company in the city of Spokane. The effective date of this schedule was originally fixed as November 15, 1918, but was subsequently changed by the Postmaster General to December 6, 1918, and the Commission was asked by the Postmaster General to proceed to hear complaints in accordance with the regular procedure and to dispose of the case in the regular way. On February 13, 1919, the Commission rendered its finding of fact, opinion and order * in the case of the Pacific company, excluding the Home company.

The Commission considered the contract of the government with the Bell System, which contract involved the approval of the 4½ per cent. payment, and also considered the value of the property of The Home Telephone and Telegraph Company, the operating revenues and expenses based on the present and proposed rates, the return to be received by the company under the compensation agreement, the probable reduction in

* See Commission Leaflet No. 88, p. 1501.

toll revenues, resulting from the collection of the toll rates prescribed in Order No. 2495 of the Postmaster General, and the increased wages paid the operators and other employees.

Held: That taking into consideration the number of telephones, the loss in development and the population of Spokane as compared with Seattle and Tacoma, the proposed schedule was out of balance with the rates in Seattle and Tacoma and the rates were unjust to the Spokane patrons;

That the modified schedule of rates filed by the Home company on March 10, 1919, was just and reasonable and should be approved, said rates being \$7.50 for individual business service, flat rate, \$5.50 for individual business service, measured rate, \$4.50 for individual business pre-pay service, \$3.25 for individual residence service, \$2.50 for two-party residence service, and \$2.00 for four-party residence service; desk sets in all cases to be 25 cents in excess of the rates previously quoted for wall sets;

That Opportunity should be considered as within the primary rate area of Spokane, with like rates;

That the effective date of said tariff as modified should be April 1, 1919.

OPINION AND ORDER.

These causes came on for hearing at Olympia, Washington, at the hour of one o'clock p. m., on Wednesday, the fifteenth day of January, 1919, before Chairman E. F. Blaine and Commissioners A. A. Lewis and Frank R. Spinning. The Commission was represented by *H. H. Cleland*, assistant attorney general; *D. F. McCurrach*, its chief engineer; and *E. D. Ridley*, accountant; *E. J. Delbridge*, official reporter of the Commission, was also present.

The parties were represented as follows:

Complainants: City of Seattle, *Walter F. Meier*, corporation counsel, by *Thomas J. L. Kennedy*, assistant corporation counsel; *Thomas F. Murphine*, *J. J. O'Brien* and *E. D. Wettrick*; City of Spokane, *Alex Winston*, assistant corporation counsel; *C. M. Fassett*, mayor; and *H. C. Bender*, superintendent of public utilities; City of Tacoma, *U. E. Harmon*, corporation counsel; City of Yakima, *Judge Thomas E. Grady*; City of Ritzville, *C. A. Sprague*.

Respondents: *H. D. Pillsbury*, vice-president and general attorney; *J. T. Shaw*, attorney; *Otto B. Rupp*, Seattle,

attorney; *C. E. Fleager*, plant engineer; *A. E. Boyles*, assistant rate expert; *E. J. Fisher*, assistant rate expert; *W. D. Moore*, plant superintendent, Western Division of Washington; *H. J. Tinkham*, division superintendent of plant, The Pacific Telephone and Telegraph Company for Eastern Washington and for The Home Telephone and Telegraph Company of Spokane; *C. E. Hickman*, general manager for The Home Telephone and Telegraph Company of Spokane; *W. J. Phillips*, division commercial superintendent of The Pacific Telephone and Telegraph Company; and *J. H. Corcoran*, division traffic superintendent of The Pacific Telephone and Telegraph Company.

The following witnesses being sworn and examined, *C. E. Fleager*, *E. J. Fisher*, *W. W. Hardinger*, *W. D. Moore*, *J. J. O'Brien*, *E. D. Ridley*, *A. E. Boyles*, *C. A. Sprague*, *C. O. Calderhead*, *C. E. Hickman*, *C. M. Fassett*.

Subsequent to the above-mentioned hearing, the Commission rendered its findings of fact, opinion and order* in the case of The Pacific Telephone and Telegraph Company, excluding The Home Telephone and Telegraph Company of Spokane; the Commission stating in its opinion that

"We are led to believe from the testimony that the proposed increase of rates of The Home Telephone and Telegraph Company of Spokane was not so fully considered as it should have been and before rendering a decision in that case it is probable that further testimony should be taken. The Government, however, in dealing with The Pacific Telephone and Telegraph Company, has considered the Coast as a whole and had we considered Spokane in this opinion and calculated the return in that city based upon the Postmaster General's proposed tariff, our figures would materially change. The \$179,847 margin would shrink to \$40,881. If in a further consideration of the Spokane situation the Postmaster General's tariff for that city should be modified and substantially reduced, the \$40,881 may disappear."†

The causes came on for further hearing at Spokane, Washington, March 10, 1919, before Chairman *E. F. Blaine* and Commissioners *A. A. Lewis* and *Frank R. Spinning*; *E. J. Delbridge* officially recording the proceedings.

* See Commission Leaflet No. 88, p. 1501.

† See Commission Leaflet No. 88, p. 1526.

The parties were represented as follows:

City of Spokane, *J. M. Geraghty*, corporation counsel; *Alex Winston*, assistant corporation counsel; and *C. M. Fassett*, mayor.

Respondents, *J. T. Shaw*, their attorney; *C. E. Hickman*, general manager of The Home Telephone and Telegraph Company of Spokane; *C. E. Fleager*, plant engineer; and *A. E. Boyles*, assistant rate expert.

Further testimony was taken and the Commission being fully advised in the premises, makes the following findings of fact from the testimony and proofs concerning The Home Telephone and Telegraph Company of Spokane and the Postmaster General.

FINDINGS OF FACT.

I.

The Home Telephone and Telegraph Company of Spokane is a corporation owning a telephone and telegraph system in the city of Spokane; and, as such corporation, on and prior to the thirty-first day of July, 1918, was operating such telephone and telegraph system for hire in said city.

II.

RESOLUTION OF CONGRESS.

July 16, 1918, the Senate and House of Representatives of the United States of America, by joint resolution, authorized the President of the United States to take possession, control and operate all telephone and telegraph lines in the United States.

III.

PRESIDENT ASSUMES CONTROL.

July 31, 1918, the President of the United States, under and by virtue of the joint resolution mentioned in the preceding paragraph, did assume possession and control and did undertake the operation of all the telephone and telegraph lines in the United States.

IV.

PROPOSED TARIFFS FILED.

November 6, 1918, The Home Telephone and Telegraph Company of Spokane, with the approval of the Postmaster General, filed with this Commission certain tariffs numbered W. P. S. C. No. 2, bearing the notation "Effective November 15, 1918, unless and until otherwise ordered by the Postmaster General of the United States, or otherwise, according to law," which tariffs, if effective, would generally increase the exchange rates of The Home Telephone and Telegraph Company in the City of Spokane.

V.

PROTESTS AGAINST TARIFFS.

Immediately following the filing of said W. P. S. C. No. 2 various protests were entered against the proposed increase in rates, and telegrams and letters relative thereto were exchanged between the Postmaster General and the Public Service Commission of Washington.

VI.

INSTRUCTIONS FROM POSTMASTER GENERAL.

November 27, 1918, The Public Service Commission of Washington received from the Postmaster General a telegram, stating among other things as follows:

"Replying to your telegram twenty-sixth apparently sent before you received my telegram of same date please strike out from rate schedule filed on November 6 the date November 15 and substitute December 6 as the effective date. Please proceed to hear complaints in accordance with your regular procedure and dispose of the matter in the regular way * * *."

VII.

CHALLENGE TO JURISDICTION.

Practically at the opening of the hearing in this cause the Assistant Corporation Counsel of Seattle, speaking on behalf of the city of Seattle and other cities, asserted:

"We want to present right here our challenge to the jurisdiction of this body (The Public Service Commission of Washington) to sit in any capacity."

VIII.

November 29, 1918, the Commission suspended the operation of said tariffs and on January 23, 1919, and February 20, 1919, made further suspensions of the same.*

IX.

CONTRACT OF GOVERNMENT WITH BELL SYSTEM.

October 4, 1918, the American Telephone and Telegraph Company, in behalf of itself and each constituent company of the Bell System thereafter joining therein, made a proposal offering to accept the just compensation named in such proposal for the supervision, possession, control and operation of the Bell System taken by the President of the United States at twelve o'clock, midnight, on July 31, 1918; said proposal being accepted October 5, 1918, by the Postmaster General by Order No. 2085.

October 14, 1918, The Pacific Telephone and Telegraph Company, in writing, indicated to the Postmaster General its purpose to join in and that it did join in said proposal.

December 5, 1918, in furtherance of said proposal, an understanding was entered into between the American Telephone and Telegraph Company, under and by virtue of which, The Pacific Telephone and Telegraph Company was to receive from the general compensation awarded the Bell System an annual amount of \$4,233,233, subject to corrections for errors in computations. Said amount is, however, subject to change to meet future conditions although not in a substantial manner. The contract between the Postmaster General and the Bell System and the agreement between the Bell System and The Pacific Telephone and Telegraph Company provides for an annual depreciation of 5.72 per cent. as applied to the book value of the property. The compensation to the Bell System as set out in Section 7 of the contract between it and the Postmaster General is as follows:

"Section 7, (a) The Postmaster General shall pay to the American company for each year, and pro rata for each fractional part of a year

* See Commission Leaflet No. 87, p. 1142, and Commission Leaflet No. 88, p. 1572.

during the period of Federal control, an amount equal to the sum of the following four items: item (1) the annual interest and existing amortization charges on all outstanding securities or obligations of the Bell System in the hands of the public, including \$48,367,200 of the American company's seven-year 6 per cent. convertible gold bonds, dated August 1, 1918, due August 1, 1925, item (2) dividends for the period of one year upon the share capital of the Bell System outstanding July 31, 1918, in the hands of the public, at the average rate of regular dividends paid thereon during the three years ending December 31, 1917, which items (1) and (2) aggregate \$65,148,641, subject to corrections for errors in computations, if any, item (3) the annual charge for interest and dividends and other costs of securing necessary additional capital for such expenditures as may be made at the request of the Postmaster General, and item (4) the annual charge for such interest and dividends as the Bell System may be required to pay on new securities or share capital issued for the discharge, conversion or renewal of present obligations, including sinking fund obligations, and for additional interest and charges to secure extensions on existing securities.

(b) The said compensation shall be paid to the American company in monthly installments on the last day of each calendar month during the period of Federal control, except that installments which have accrued prior to the acceptance of this proposal shall be payable at the date of such acceptance; such payments to the American company to operate to fully satisfy and discharge all claims of the constituent companies and each of them on account of the amounts so paid.

If any constituent company shall fail to join in this proposal, as provided by Section 12 hereof, the following deductions shall be made from the above mentioned items (1) and (2).

(1) There shall be deducted an amount equal to the annual interest and existing amortization charges, on all outstanding securities or obligations of such non-joining constituent company; and

(2) There shall be deducted an amount equal to dividends for the period of one (1) year, at the average rate paid during the three (3) years ending December 31, 1917, upon the share capital of such non-joining constituent company outstanding on July 31, 1918."

X.

FOUR AND ONE-HALF PER CENT. CONTRACT.

Between the Bell System and its constituent companies there has, for many years, existed what is known as the 4½ per cent. contract. This contract is recognized and made a part of the agreement between the Bell System and the constituent companies joining and the Postmaster General.

XI.

The book value of the plant of the Pacific Telephone and Telegraph Company system as of December 31, 1917, is as follows:

	<i>Real Estate</i>	<i>Plant</i>	<i>Total</i>
Washington (including The Home Telephone & Telegraph Company of Spokane)	\$1,652,415	\$17,551,367	\$19,203,782
Oregon	1,050,729	9,516,167	10,566,896
Idaho		341,187	341,187
Nevada	559	825,458	826,017
California	4,958,537	60,019,003	64,977,540
TOTAL	<u>\$7,662,240</u>	<u>\$88,253,182</u>	<u>\$95,915,422</u>

XI.

There has been a physical union of the telephone plants of the old Home automatic and the Pacific manual in Spokane and vicinity. In such consolidation, property of the Automatic of the value of \$423,000 has been eliminated as not used and useful.

As of December 31, 1914, the Commission valued the manual system at \$3,387,264.86. The subsequent net plant additions are as follows:

1915	\$125,565 14
1916	127,967 00
1917	3,937 00
1918 (9 months)	*1,004 00
TOTAL ADDITIONS	<u>\$254,465 14</u>
TOTAL VALUE, INCLUDING ADDITIONS	<u>\$3,641,730 00</u>

* Deduction.

In these net additions to plant there is included \$132,000 of property of the Automatic system as used and useful. For the purpose of this hearing we deem \$3,641,730 as the fair value of the property used and useful in rendering telephonic service in Spokane and vicinity by The Home Telephone and Telegraph Company of Spokane.

XIII.

The earnings, operating expenses and per cent. earned on the above average plant values, including 30 per cent. toll, are as follows:

<i>Revenue:</i>	<i>1915</i>	<i>1916</i>	<i>1917</i>	<i>Nine Months 1918</i>
Exchange revenue....	\$546,651 84	\$681,234 73	\$734,142 47	\$553,384 75
Toll revenue.....	33,518 37	54,247 40	57,755 79	40,099 03
Miscellaneous revenue	11,743 16	14,088 15	15,402 44	16,608 44
Licensee revenue....	25,897 43	32,135 12	35,175 74	26,438 40
TOTAL.....	\$566,015 94	\$717,435 16	\$772,124 96	\$583,653 82
<i>Expenses:</i>				
Operating expenses...	\$332,201 10	\$392,489 05	\$443,488 34	\$498,498 24
Taxes.....	35,451 47	23,971 81	53,439 26	36,122 85
Depreciation.....	200,819 47	208,139 18	208,364 38	156,230 21
TOTAL.....	\$568,472 04	\$624,600 04	\$705,291 98	\$690,851 30
Amount earned.....	*2,456 10	92,835 12	66,832 98	*107,197 48
Average plant value..	3,510,830 00	3,638,797 00	3,642,734 00	3,641,730 00
Per cent. earned.....	*.70	2.55	1.83	*2.94

* Indicates red figures.

XIV.

The data set forth in paragraphs XI. to XIII. inclusive was gathered by the experts of the Public Service Commission of Washington from the books of The Home Telephone and Telegraph Company, and the annual report to this Commission. Set up in another form and covering somewhat different period of operation, The Home Telephone and Telegraph Company has produced and introduced as evidence the following schedules which form part of the proofs in this case.

RATE BASE, YEAR 1919.

Commission decision of December 31, '1914.....	\$3,387,265
This, inclusive of property already in place, used and useful to consolidated service is as of December 31, 1916....	3,613,441
Net additions, year 1917.....	28,047
Estimated net additions, year 1918.....	9,900
TOTAL, DECEMBER 31, 1918.....	\$3,651,388
Estimated net additions, year 1919.....	34,800
TOTAL, DECEMBER 31, 1919.....	\$3,686,188
Average, year 1919	\$3,668,788

XV.

THE HOME TELEPHONE AND TELEGRAPH COMPANY OF
SPOKANE, WASHINGTON

NET ADDITIONS, YEAR 1917

	<i>Auditor's Statement Year 1917</i>	<i>Items to Deduct</i>	<i>Corrected Net Additions Year 1917</i>
Exchange right of way.....	\$16 74	.....	\$16 74
Land.....	35,486 75*	†\$35,544 79*	58 04
Buildings.....	964 19	.....	964 19
Central office equipment.....	3,463 13*	\$8,058 85*	4,605 72
Station equipment.....	15,408 87	\$35 82*	15,444 69
Exchange pole lines.....	4,388 35	\$2,212 49*	6,600 84
Exchange aerial cable.....	14,987 06*	\$11,409 08*	3,577 98*
Exchange aerial wire.....	3,730 75	\$23 73*	3,754 48
Exchange underground conduits.....	2,838 32	\$597 47*	3,435 79
Exchange underground cable.....	40,917 47*	\$16,211 76*	24,705 71*
Toll pole lines.....	17,034 57	†\$15,145 00	1,889 57
Toll aerial wire.....	16,580 23	†\$19,606 00	3,025 77*
Toll underground conduits.....	32 98	.....	32 98
Toll underground cable.....	28,804 97	†\$10,366 00	18,438 97
Office furniture and fixtures.....	86 98	.....	86 98
General shop equipment.....	85 80	.....	85 80
General store equipment.....	916 10	.....	916 10
General stable and garage equipment.....	2,420 85	.....	2,420 85
General tools and implements.....	836 36	.....	836 36
Interest during construction.....	426 86	.....	426 86
Miscellaneous construction expenditures.....	27 72	.....	27 72
Construction work in progress.....	686 56*	.....	686 56*
TOTAL.....	\$930 33*	\$28,976 99*	\$28,046 66

* Indicates red figures.

† Entries of auditor per letter June 29, 1917, account errors original entry.

‡ Amounts of former Home plant removed, treated by the company in appraisal of 1917 as not used and useful.

XVI.

THE HOME TELEPHONE AND TELEGRAPH COMPANY OF
SPOKANE, WASHINGTON

ESTIMATED NET ADDITIONS TO PLANT AND EQUIPMENT

	<i>Year 1918</i>	<i>Year 1919</i>
Exchange right of way.....		\$100
Buildings	\$400	600
Central office equipment.....	6,900	7,000
Station equipment	7,500	13,000
Exchange pole line.....	3,000	5,000
Exchange aerial cable.....	100	1,500
Exchange aerial wire.....	5,000*	6,000
Exchange underground conduits.....	900	500
Exchange underground cable.....	2,300*	1,000
Toll pole lines.....	800*	.....
Toll aerial wire.....	100	.....
Interest during construction.....	100	100
Construction work in progress.....	1,000*	.....
	<hr/>	<hr/>
TOTAL	\$9,900	\$34,800

* Indicates red figures.

XVII.

THE HOME TELEPHONE AND TELEGRAPH COMPANY OF
SPOKANE, WASHINGTONREVENUES AND EXPENSES
YEAR 1919

BASED ON PRESENT RATES

Revenues:

Exchange service revenues.....	\$728,000
Toll service revenues.....	58,000
Miscellaneous operating revenues.....	17,000
License revenue, Dr.....	34,300*
TOTAL	\$769,200

Expenses:

Plant	\$317,400
Traffic	313,000
Commercial	68,100
General	24,500
Uncollectible	5,800
Taxes	53,400
Rent deducted for telephone office.....	1,000
Rent deducted C. P. & O. S.	500
Amortization of landed capital.....	400
TOTAL	\$784,100
Balance net revenue.....	14,900*
Compensation for property.....	222,716
Margin to U. S. Government over total operations.....	237,616*
Rate base	3,668,788

* Indicates red figures.

XVIII.

THE HOME TELEPHONE AND TELEGRAPH COMPANY OF
SPOKANE, WASHINGTON

REVENUES AND EXPENSES
YEAR 1919

BASED ON PROPOSED RATES.

Revenues:

Exchange service revenues	\$831,000
Toll service revenues.....	58,800
Miscellaneous operating revenues.....	16,900
Licensee revenue, Dr.....	38,850*
<hr/>	
TOTAL	\$867,850

Expenses:

Plant	\$317,400
Traffic	313,000
Commercial	68,100
General	24,500
Uncollectible	5,800
Taxes	53,400
Rent deducted for telephone office.....	1,000
Rent deducted for C. P. & O. S.	500
Amortization of landed capital.....	400
<hr/>	
TOTAL	\$784,100
Balance net revenue.....	83,750
Compensation for property.....	222,716
Margin to U. S. Government over total operations.....	138,966*
Rate base	3,668,788

* Indicates red figures.

XIX.

THE HOME TELEPHONE AND TELEGRAPH COMPANY OF
SPOKANE, WASHINGTON

ESTIMATED REVENUES AND EXPENSES

	1918	1919	1919	
		Present Rates	Proposed Rates	Increase (c) over (a)
Revenues:	(a)	(b)	(c)	
Exchange service revenues.....	\$750,000	\$728,000	\$831,000	\$81,000
Toll service revenues.....	53,400	58,500	58,800	5,400
Miscellaneous operating revenues....	17,000	17,000	16,900	*100
Licensee revenue, Dr.....	*35,100	*34,300	*38,850	*3,750
TOTAL.....	\$785,300	\$769,200	\$867,850	\$82,550
Expenses:				
Plant.....	\$321,800	\$317,400	\$317,400	*\$4,400
Traffic.....	276,700	313,000	313,000	36,300
Commercial.....	66,700	68,100	68,100	1,400
General.....	24,500	24,500	24,500	.....
Uncollectible.....	7,500	5,800	5,800	*1,700
Taxes.....	48,500	53,400	53,400	4,900
Rent deducted telephone offices....	1,000	1,000	1,000	.....
Rent deducted C. P. & O. S.....	500	500	500	.....
Amortization of landed capital.....	400	400	400	.....
TOTAL.....	\$747,600	\$784,100	\$784,100	\$36,500
Balance net revenue.....	\$37,700	*\$14,900	\$83,750	\$46,050
Compensation for property.....	.....	222,716	222,716	.....
Margin to U. S. Government over total operations.....	.....	*237,616	*138,966	.....
Rate base.....	3,646,438	3,668,788	3,668,788	.....

* Indicates red figures.

XX.

THE HOME TELEPHONE AND TELEGRAPH COMPANY OF
SPOKANE, WASHINGTON

COMPENSATION AS OF JULY 31, 1918.

Compensation:

Interest on bonds.....	\$150,000
Debt discount and expense.....	3,840
Other interest	68,876
	\$222,716

XXI.

RETURN UNDER COMPENSATION AGREEMENT.

The book value of the holdings of The Pacific Telephone and Telegraph Company's Pacific Coast System is \$95,915,422. The compensation to be allowed for the company's Pacific Coast holdings is \$4,233,233, or a rate of return of 4.41 per cent.

XXII.

PERCENTAGE OF INCREASE PROPOSED.

The estimated percentage of increased rates on exchange service under Tariff W. P. S. C. No. 2 is 16.8 per cent. for the state.

XXIII.

REDUCTION IN TOLL RATES.

On December 18, 1918, the Postmaster General promulgated his General Order No. 2495 to become effective January 21, 1919, under and by virtue of which he did, in substance, establish a new schedule of toll rates, which, among other things, lengthened the initial period of certain calls and provided reduced night rates, the effect of which is to reduce the toll service income and this reduction is estimated at \$68,851 for the year 1919.

XXIV.

INCREASED WAGES.

As of October 16, 1918, the wages of all operators of The Pacific Telephone and Telegraph Company and The Home Telephone and Telegraph Company of Spokane were advanced 20 per cent., estimated \$300,000 for the year 1919. This advance did not greatly affect the operating expenses of 1918 but will materially increase the operating expenses of 1919. We find no advance in the salaries of officials and heads of the principal operating departments. During the war period there has been a constant increase in cost of material. The evidence tends to show that while there may be a drop in raw material no appreciable lowering of prices is anticipated in manufactured articles during the immediate future.

XXV.

SERVICE INVESTIGATIONS.

Preceding the hearing in this cause the Commission instituted a study of the telephone service in various exchanges in the State with the following result:

TELEPHONE SERVICE TESTS, DECEMBER, 1918.

<i>Location</i>	<i>Number Of Calls</i>	<i>Operator</i>	<i>Called Party</i>	<i>Operator</i>
		<i>Answers Seconds</i>	<i>Answers Seconds</i>	<i>Disconnects Seconds</i>
Aberdeen	41	3.98	26.22	4.07
Bellingham	26	3.88	28.58	3.88
Centralia	8	7.25	25.00	4.71
Olympia	36	4.22	25.14	4.55
Spokane	24	4.08	38.46	4.88
Seattle	72	4.22	29.99	4.86
Tacoma	42	4.43	25.59	4.95
Vancouver	10	4.20	24.50	4.90

At the instance of the Commission several well-known firms in the State of Washington made a test of their telephone service, among others being The McClintock-Trunkey Company, wholesale grocers, Spokane. They report as follows:

"We have called up six different business firms at intervals between ten and twelve o'clock this morning. From the time the Home company operator accepted the call until the operator at the other end of the line responded it was as follows:

Maxwell 21	13 seconds
Maxwell 1442	10 seconds
Riverside 51	10 seconds
Riverside 2364	18 seconds
Riverside 123	11 seconds
Main 183	10 seconds

We consider this most excellent service."

Holley-Mason Hardware Company of the same place after making a test states:

"We consider the telephone service very satisfactory and have no complaint to make so far as service is concerned, but we do feel that the charges are more than they should be."

Burroughs Adding Machine Company of Spokane, reports the following time in getting central:

6 seconds	4 seconds
35 seconds	2 seconds
4 seconds	6 seconds

John W. Graham and Company, of Spokane, concludes:

"We consider the telephone service entirely satisfactory, and have no complaint to make so far as service is concerned."

At Yakima, Yakima Iron Works reports for completed calls as follows:

1 minute	$\frac{1}{2}$ minute
$1\frac{1}{2}$ minutes	$\frac{1}{2}$ minute
$\frac{1}{2}$ minute	1 minute

The United States Reclamation Service at the same point reports completed calls as follows:

1 minute	2 minutes
2 minutes	1 minute
1 minute	2 minutes

The Mercy Amusement Company of Yakima reports parties secured as follows:

20 seconds	12 seconds
30 seconds	23 seconds
10 seconds	21 seconds

XXVI.

In the three principal cities of the State the number of telephones in each is as follows:

Seattle	63,504
Spokane	24,002
Tacoma	17,082

XXVII.

In the past year the telephone development in the three cities mentioned is as follows:

Seattle	gain 3.352 per cent. or 5.58 per cent. per station
Tacoma	gain 1.274 per cent. or 8.13 per cent. per station
Spokane	loss 2.59 per cent. or 6.29 per cent. per station

XXVIII.

In Schedule W. P. S. C. No. 2 as filed by The Pacific Telephone and Telegraph Company and The Home Telephone and Telegraph Company of Spokane, and approved by Postmaster General Burleson, the principal rates for these cities are as follows:

<i>Seattle</i>	
Individual business	\$8 50
Individual residence	3 75
Two-party residence	3 00
Four-party residence	2 50

<i>Tacoma</i>	
Individual business	7 00
Two-party business	6 00
Individual residence	3 00
Two-party residence	2 50
Four-party residence	2 00

<i>Spokane</i>	
Individual business	8 00
Individual residence	3 50
Two-party residence	2 75
Four-party residence	2 25

XXIX.

Taking into consideration the number of telephones, the loss in development and the population of Spokane, as compared with Seattle and Tacoma, the Commission is satisfied that the proposed schedule for Spokane is out of balance with the rates in Seattle and Tacoma, and that the rates are unjust to the Spokane patrons.

XXX.

The Home Telephone and Telegraph Company at the hearing on March 10 submitted a modified schedule for Spokane as follows:

<i>Class of Service</i>	<i>Modified Proposal of March 10, 1919 Inclusive of Opportunity No Toll Rate Between Opportunity and Spokane.</i>	
	<i>Wall</i>	<i>Desk</i>
Individual business flat.....	\$7 50	\$7 75
Individual business measured.....	5 50	5 75
Individual business prepay.....	4 50	4 75
Individual residence	3 25	3 50
Two-party residence	2 50	2 75
Four-party residence	2 00	2 25

XXXI.

The Commission finds that the rates contained in the above modified schedule are just and reasonable rates to be charged by The Home Telephone and Telegraph Company of Spokane.

XXXII.

In open session it was stipulated that Opportunity be considered as within the primary rate area of Spokane.

ORDER.

Wherefore, it is ordered, That the Postmaster General's Tariff W. P. S. C. No. 2 of The Home Telephone and Telegraph Company of Spokane, be modified in the following particulars:

<i>Class of Service</i>	<i>Wall</i>	<i>Desk</i>
Individual business flat	\$7 50	\$7 75
Individual business measured	5 50	5 75
Individual business prepay	4 50	4 75
Individual residence	3 25	3 50
Two-party residence	2 50	2 75
Four-party residence	2 00	2 25

It is further ordered, That Opportunity be considered as within the primary rate area of Spokane, with like rates.

It is further ordered, That all contracts in conflict with the rates provided for in Postmaster General's Tariff W. P. S. C. No. 2, as modified, of The Home Telephone and Telegraph Company of Spokane be terminated.

It is further ordered, That the effective date of said tariff as modified shall be April 1, 1919.

Witness: The Public Service Commission of Washington
this twentieth day of March, 1919.

WISCONSIN.

Railroad Commission.

**TENNEY TELEPHONE COMPANY v. WISCONSIN-MINNESOTA
LIGHT AND POWER COMPANY.**

U-1046.

Decided March 5, 1919:

**Telephone Company Ordered to Reconstruct Line at Own Expense to
Avoid Electrical Interference with Transmission Line — Policy
of Commission Outlined.**

OPINION AND DECISION.

The Tenney Telephone Company in its petition alleges in substance that the construction and operation of the high tension transmission line of the Wisconsin-Minnesota Light and Power Company in the vicinity of Alma and Nelson has impaired the telephone service on its grounded telephone system, and that in order to successfully operate the telephone lines it will be necessary to make them full metallic at large expense. The Commission is asked to take such action as is proper in the premises. No answer was filed by the respondent.

A hearing was held at Madison on July 16, 1918. *M. L. Fugina* appeared for the petitioner and *Egbert Douglas* for the respondent.

The Tenney Telephone Company was formed in 1904, and has developed a telephone system extending over a territory approximately 18 miles square with the central exchange at Alma on the Mississippi river at the extreme western edge of the territory served. The system consists of 87 grounded lines comprising about 400 miles of wire and serving 401 subscribers. Its valuation, as estimated by the company, is \$23,000. In addition, switching service is fur-

nished for an independent company with one line and 24 subscribers. The rates in effect are as follows:

	<i>Per Year</i>
Business	\$20 00
Residence, single-party	15 00
Residence, party line	12 00
Rural, party line	12 00

In the summer of 1917, the respondent constructed and placed in operation a 6,600-volt transmission line located on the right of way of the Chicago, Burlington and Quincy Railroad Company. Petitioner's lines are constructed on a public highway which runs substantially parallel to the railroad, crossing the transmission line at two points. The average distance between the lines is about 30 rods. The closest point of parallel is about 8 rods and the greatest distance about one-fourth of a mile. The parallel extends for a distance of about 10 miles.

The testimony is undisputed that prior to the operation of the transmission line the telephone service over the grounded system was reasonably satisfactory to the subscribers and was usable for long distance messages. Since that time, however, the lines have been noisy and many complaints have been received by the management. Subscribers have threatened to order the telephones out unless the conditions improve.

The manager stated that an estimate has been made of the cost of installing cables for a part of the distance and making the lines running north of Lock's Corner full metallic. The lines turning off from the main cable at Lock's Corner and Lane's Corner under this scheme would be full metallic only as far as the cable extends, one wire being grounded at a sufficient distance from the transmission line to minimize the disturbance. These improvements installed, would cost according to his estimate, on the basis of prices prevailing at the time of the hearing, approximately \$4,000.

The Commission has taken the position that under the conditions prevailing at the present time it cannot be said that grounded telephone circuits are of an approved type

C. L. 89]

for their purpose, and that it is the duty of a telephone company to bear the expense of making its lines full metallic where the change is necessitated by the construction of a transmission line in the vicinity. It has also been held that where the telephone lines are of an approved type, that any additional changes in the system which are necessary to remove interference by the transmission line should be made at the expense of the transmission line company. (*Lancaster Light and Power Company v. Platteville, Rewey & Ellenboro Telephone Company*, 19 W. R. C. R. 196*).

Since the decision above referred to was entered, representatives of various telephone companies whose lines are affected by new transmission lines have urged that, under certain conditions, grounded circuits should be regarded as an approved type of telephone construction and a portion of the cost of metallicizing the lines assessed against the transmission line company where the change is made necessary by the inductive interference. Very careful consideration has been given to this argument, and the holdings of other commissions and the courts exhaustively examined with respect thereto. However, we are convinced that, except under very exceptional conditions, the rule which we have adhered to in the past is equitable. It is conceivable that in sparsely settled communities where the increased investment necessary to provide full metallic circuits would make the cost of the service absolutely prohibitive, a grounded system could be regarded as standard construction, and the cost of making the lines full metallic apportioned, in part at least, to the transmission line company. However, we are of the opinion that in well-developed farming communities, such as the one under consideration in this case, the process of making the telephone lines full metallic circuits should be carried forward as rapidly as possible irrespective of transmission line development. This being the case, it would, in our opinion, be unfair to require a transmission line company, and indirectly the electric consumers, to bear the cost of work which

* See Commission Leaflet No. 66, p. 1636.

the telephone utilities should undertake in the interest of good telephone service irrespective of inductive interference by high voltage lines.

To provide a reasonable return on the additional investment required for the work contemplated by the petitioner for the purpose of removing the interference would not necessitate an increase in telephone rates which would be excessive, or in any way prohibitive.

Until the contemplated improvements are made it is impracticable to determine whether other measures will be necessary to properly take care of the situation. Jurisdiction will therefore be retained in this proceeding to enter such further order as may be found necessary upon the completion of the work as required herein.

It is, therefore, ordered, That the petitioner, the Tenney Telephone Company, at its own expense, reconstruct its telephone lines by providing properly transposed metallic circuits if the lines are left in their present location, or, in some other way, effectively remove the inductive interference.

Jurisdiction is retained to order such further relief as may be found necessary when the telephone system is reconstructed in conformity to accepted modern standards.

Six months is considered a reasonable time within which to comply with this order.

Dated at Madison, Wisconsin, this fifth day of March, 1919.

In re APPLICATION OF THE BASSWOOD-EAGLE TELEPHONE
COMPANY FOR AUTHORITY TO INCREASE RATES.

U-1048.

Decided March 8, 1919.

**Increase in Rural Rates Authorized — Allowance of 14 Per Cent. Made
for Reserve for Depreciation and Return on Investment.**

OPINION AND DECISION.

The Basswood-Eagle Telephone Company filed its application, asking for authority to increase its rates from \$7.00

C. L. 89]

to \$10.00, with the Commission on January 21, 1919. After due notice a hearing was held at Madison, Wisconsin, on February 18, 1919, at which time J. H. Evans, secretary, appeared for the applicant. There were no appearances in opposition.

The applicant operates a system of ten rural lines in the southwestern part of Richland County. Patrons on four of these lines receive their central office connections through the switchboard of the Richland Telephone Company at Richland Center, while those on the remaining six lines are switched by the Muscoda Telephone Company at Muscoda.

The company was originally financed by the sale of stock, and the total amount outstanding at the present time is \$1,440.

The book value on December 31, 1918, according to the company's annual report to the Commission was \$1,897.55. We feel, however, that this does not represent the cost of the property by a considerable amount. Data submitted at the hearing shows that the property of the company consists of 22 miles of cedar poles, practically all of which are equipped with cross arms, and 122 miles of iron wire. All equipment connected with the subscribers' stations is owned by the subscribers. A conservative estimate of the company's property in place would be approximately \$2,500, and a fair amount for interest and depreciation on this investment we place at \$350 annually.

Very little reliable information is available on the operating expenses of the company. For the year ending December 31, 1918, it reports total revenues of \$724, and total expenses of \$457.55. This left it a surplus of \$266.45 for the year. It hardly seems possible, however, that its operating expenses should not have exceeded the above amount. The switching alone for the year amounted to \$345, which would leave but \$112 for all other operating expenses including taxes. For the coming year the switching charge will be increased to the extent of \$120 because of the increase in rates authorized to the Richland Telephone Company.

This will make the total annual charges for interest, depreciation and switching equivalent to \$815.

The applicant has asked that it be permitted to put in effect a rate of \$10.00 per year, which would give it yearly revenues of approximately \$1,050. Deducting the above-estimated expenses from this amount, we have left \$235 to meet all other expenses, as wire plant, commercial, undistributed and taxes. It does not seem unreasonable that such an amount should be allowed for these purposes and the rate as requested will, therefore, be authorized.

It is, therefore, ordered, That the applicant, the Basswood-Eagle Telephone Company, be, and the same hereby is, authorized to discontinue its rate of \$7.00 per year and substitute therefor a rate of \$10.00 per year applicable to all its subscribers alike, including both stockholders and non-stockholders.

Rates may be made effective April 1, 1919.

Dated at Madison, Wisconsin, this eighth day of March, 1919.

In re APPLICATION OF MINONG TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1049.

Decided March 8, 1919.

**Increase in Rates Authorized—Allowance of 7 Per Cent. for Reserve
for Depreciation Made—Allowance of 8 Per Cent. for Return
on Investment Made—Discount for Prompt Payment
Approved—Vacation Rates Fixed—Non-
subscriber Charge Approved.**

Applicant sought authority to increase its business, residence, rural and switching rates and sought approval of certain rules and regulations.

The Commission found that applicant's book value of \$3,225 was substantially correct, that the operating expenses were \$1,021.29 and the operating revenues \$1,081.29.

Held: That the allowance of \$20.00 per year for reserve for depreciation was inadequate and as many of the lines were in a more or less forested region, an allowance of 7 per cent. of the book value or \$225.75 should be made;

That an allowance of \$258 or 8 per cent. on the book value should be made for return on investment;

C. L. 89]

That were the allowance for reserve for depreciation found reasonable by the Commission substituted for that allowed by the company and an 8 per cent. allowance made for return on investment, the cost of the service would exceed the operating revenues by \$403.75; that if the proposed rates were applied to the present subscribers and connecting companies they would produce about \$198 of increased revenue if the subscribers availed themselves of the discounts provided and \$357 if they failed to do so; therefore, even the proposed rates would not meet the shown need for additional revenues;

That the proposed charge of 60 cents per month for switching service was higher than the Commission found justifiable on the basis of the cost of service, and a switching rate of \$5.00 per year, in lieu of the present rate of \$4.00 per year, would be reasonable and should be charged although this was less than the rate applied for and would decrease the aggregate amount in revenues, which the applicant hoped to receive by amending its rates, by \$64.00. Nevertheless, if further increases were desired than those which would result from the rate authorized, the applicant should seek such increase by further increasing its subscribers' rates instead of by attempting to have higher switching rates authorized;

That applicant should be authorized to increase its business rates from \$1.50 to \$1.75 per month, its individual line residence rates from \$1.25 to \$1.50 per month, its party line rural and residence rates from \$1.00 to \$1.25 per month, all of said rates to be subject to a discount of 15 cents per month for prompt payment;

That where a subscriber takes business and residence service the single party rates should apply in all cases where the character of the distribution system required is practically the same as for single party service; *i. e.*, where two or more lines are bridged at or near the central office, but in cases where practically only one line is required the party line rate should apply to the residence instrument and the regular business rate to the business instrument;

That net vacation rates should be one-half of the regular net rates and gross rates 15 cents in excess of the net vacation rates should be quoted subject to the regular discount;

That where subscribers allow non-subscribers to use their telephones they must collect 10 cents for each 5 minutes conversation for local calls, but may allow non-subscribers to use the telephones for toll service upon the payment of the regular toll charges;

That subscribers of connecting companies directly connected with the switchboard of the Minong company should receive service co-extensive with that received by the subscribers of that company and should be listed in the same directory. Bills for service to subscribers of connecting companies should be made out to the connecting companies and paid by their respective treasurers or other proper officials at the office of the Minong company.

OPINION AND DECISION.

This application, filed December 10, 1918, by the Minong Telephone Company, represents said company as giving telephone service in and about the village of Minong at the following rates:

Party line telephones	\$1 00 per month.
Private line telephones, business.....	1 50 per month
Private line telephones, residence.....	1 25 per month
Switching service for connecting companies, per telephone	4 00 per year

The foregoing rates are alleged to be inadequate under present operating conditions, wherefore authority is asked to replace them with the following increased schedule:

RATES

Party line telephones.....	\$1 25 per month
Private line telephones, business.....	1 75 per month
Private line telephones, residence	1 50 per month
Private line telephones, business and residence on same line	3 00 per month
Switching service for connecting companies, per telephone	7 20 per year

RULES.

1. *When Bills are Due:*

All bills are due and payable at the office of the company on the fifth of each month.

2. *Discount:*

All bills paid on or before the tenth of the month of service will be allowed a discount of 15 cents on telephone rent.

3. *Optional for Rural Subscribers:*

Rural line subscribers may pay the regular rental quarterly at their option and will be allowed 45 cents discount on telephone rent if paid on or before the tenth day of the second month of service. All toll charges must, however, be paid monthly.

4. *Vacation Rates:*

Vacation rates will be one-half rates subject to one-half discount as per Rules 2 and 3.

C. L. 89]

5. *Non-subscriber Charges:*

Telephones are rented for the use of subscribers and the immediate members of their families only and if they wish to allow neighbors or others not subscribers to use them they must collect the regular toll charge of 10 cents for each 5 minutes and any other toll charges due and pay the same to the company with their monthly bill.

6. *Connecting Companies:*

Connecting rural lines shall receive the same connection service and be listed in the directory in the same manner as the company's own subscribers. Each connecting company shall pay on or before the fifteenth of each month a switching charge of 60 cents for each telephone on its lines, together with any charges for toll originating or coming out of its lines.

Notices of a hearing to be held January 9, 1919, at Madison, were duly served upon applicant, its connecting companies and others whom the Commission thought might be interested, but no appearances resulted. Decision in this case will, therefore, be based upon such facts as the Commission has from a previous investigation of applicant's rates, its annual reports and correspondence to the Commission, and a general knowledge of the conditions under which telephone utilities are operating at the present time.

Applicant's report for the year 1918 shows a book value as of December 31, 1918, of \$3,225 and \$53.25 of materials and supplies. The physical property is represented as consisting of a 56 drop capacity magneto switchboard with 28 lines connected; 40 miles of poles; 57 miles of wire and 1,875 pair feet of cable; and 88 subscribers' stations. We believe the book value is substantially correct for the property enumerated.

The operating revenues for 1918 are reported as \$1,081.29 and the operating expenses as \$1,021.29. The latter are composed of the following items:

Central office operators.....	\$682 50
Fuel, light and miscellaneous central office expenses.....	43 47
Batteries, line repairs, etc.....	67 71
Automobile expense, gas and repairs.....	41 99
Manager and lineman.....	146 19
Depreciation	20 00
Taxes	19 43
<hr/>	
TOTAL	\$1,021 29

It is evident that no item of expense is unduly large and some are certainly inadequate as representing the average costs over a period of time. It is not necessary, however, to consider any items other than depreciation and interest on investment in order to establish, in the main, the reasonableness of the rates proposed by applicant. A reasonable annual charge to operating expenses for depreciation considering that many of the lines are in a more or less forested region will probably be 7 per cent. of the book value, which is \$3,225, or \$225.75. Return on investment would require an additional \$258. These items in conjunction with such other costs as applicant had during the year 1918, total \$1,485.04, and exceed the total reported revenues for the years by \$403.75.

The proposed rates when applied to the present subscribers and connecting companies will produce about \$198 of increased revenues if subscribers avail themselves of the discounts provided and \$357 if they fail to do so. It appears therefore that even the proposed rates would not meet the shown need for additional revenues. Aside from the rate to connecting companies they are relatively low and in light of the apparent need for increased revenues may be authorized.

The proposed charge of 60 cents per month per telephone for switching service is higher than the data in our possession would appear to justify for this service. At the present time applicant is performing switching service for the Bond Lake Telephone Company which has one line with 10 subscribers, for the Nancy Lake Telephone Company which has one line with 6 subscribers, and for the Farmers'

C. L. 89]

Mutual Telephone Company which has one line with 13 subscribers. Subscriber, line and traffic ratios applicable to these companies taken as a whole follow:

Branch of Service	Subscriber	Line	Traffic
Minong Telephone Company	75.2%	85.7%	69.7%
Switched companies	24.8%	10.7%	10.8%
Toll	0.0%	3.6%	19.5%
TOTAL	100.0%	100.0%	100.0%

The subscriber and line ratios are based on data submitted by applicant as of January 27, 1919. The traffic ratios are based on a 24-hour traffic study, recently made by applicant. Before deriving the traffic ratios here shown, we have weighted the different calls according to the time which it is estimated each requires the operator's attention and made a 10 per cent. deduction in calls of the Minong Telephone Company's subscribers in order to give consideration to an above-normal calling rate among them on the day the study was made.

Although the total central office costs are reported as \$725 for the year ended December 31, 1918, it is our opinion that \$900 is more nearly the amount which should be used for rate purposes at this time. If \$50.00 the amount of reported toll earnings for the year 1918, be directly charged to the central office costs as the share of the toll service in these costs, there remains \$850 to be covered from other sources.

The per subscriber basis does not appear to be a just basis for apportioning this balance of central office costs for although the switched companies have 24.8 per cent. of the total subscribers served, only 10.8 per cent. of the total traffic can be assigned to them.

The traffic basis seems to be the one which will most fairly apportion the central office costs in this case, few if any of the costs being of such a nature that they would be

more equitably distributed on other bases. Were 10.8 per cent. of the \$900 apportioned to switched companies the charges to them would be \$97.20 or \$3.36 per subscriber per year. Since the toll earnings are reported to be but \$50.00 and 19.5 per cent. of the traffic, or \$178.20 of the costs are assigned to the toll service, it may be that a part of the apparent toll deficit should be apportioned to the switched companies in addition to the \$97.20. Apportioning the deficit of \$128.20 on a subscriber basis the share of the switched companies in this deficit becomes \$32.05. This added to \$97.20 makes the total charges for central office service to switched companies \$129.25 or \$4.46 per subscriber per year.

When the importance of the central office service to the switched companies is taken into consideration with the costs as computed herein, it being noted that no appreciable consideration has been made in the costs for remunerating managerial services which it appears are being efficiently rendered, we are of the opinion that the switching rate may reasonably be increased to \$5.00 per year. Although this is less than the rate applied for and will decrease the aggregate gain in revenues which applicant hoped to receive by amending its rates by \$64.00, we believe that if further increases in revenues are desired than those which will result from the rates here authorized that applicant should seek relief by further increasing the rates to its subscribers instead of by attempting to have higher switching rates authorized.

Payment of switching rates should be on a quarterly basis and made by the companies rather than by their individual subscribers. The rules proposed will be authorized in slightly amended form.

It is, therefore, ordered, That the applicant, the Minong Telephone Company, be, and the same hereby is, authorized to replace its present schedule with the following increased schedule:

RATES.

	<i>Per Month</i>	
	<i>Gross</i>	<i>Net</i>
Party line residence and rural telephones, per month	\$1 25	\$1 10
Private line telephones, business.....	1 75	1 60
Private line telephones, residence.....	1 50	1 35

Business and residence — two or more instruments:

The single party rates shall be applicable in all cases where two- or more party service is furnished where the character of the distribution system required is practically the same as for single party service, *i. e.*, where two or more lines are bridged at or near the central office. In cases where practically only one line is required, the party line rate shall apply to residence instruments and the regular business rate shall apply to the business rate shall apply to the business instruments.

Switching service for connecting companies, per year..... \$5 00

RULES.

1. *When Rentals and Charges are Due:*

All rentals for exchange service are due and payable in advance at the office of the Minong Telephone Company — those for local subscribers on the fifth of each month and those for rural subscribers and switched companies on the fifth of every third month beginning with April 5 of this year.

All charges for toll service shall be due at the same time and in the same manner as rentals for exchange service excepting that they shall be payable at the close of the billing periods, whereas the exchange rentals are payable at the beginning of the billing periods.

2. *Billing:*

Where gross and net rates are provided, bills shall be made out at the gross rates but shall have printed thereon a statement explaining when discounts are applicable.

3. *Discounts:*

Where gross and net rates are provided, the difference between them shall constitute discounts for prompt payment.

Local subscribers who pay their bills on or before the fifteenth of the month in which bills are due shall receive discounts of 15 cents per telephone from the gross bill.

Rural subscribers who pay their bills in the first month of the quarter for which rentals are due shall receive a discount of 45 cents, and if bills are paid in the second or third months the discounts shall be 30 cents and 15 cents respectively.

No discounts shall be given to any subscribers excepting when the foregoing conditions have been complied with.

4. *Vacation Rates:*

Net vacation rates will be one-half of the regular net rates. Gross vacation rates will be 15 cents per month higher than the net vacation rates.

The regular discounts shall apply on vacation rates.

5. *Non-subscriber Charges:*

Telephones are rented for the use of subscribers and the immediate members of their families only and if they wish to allow neighbors or others not subscribers to use their telephones they must collect 10 cents for each 5 minutes such neighbors or other non-subscribers are allowed to use their telephones for local exchange service. Neighbors or other non-subscribers may be allowed to use telephones for toll service upon payment of the regular toll charges, the non-subscriber charge being waived for this service.

6. *Connecting Companies:*

Subscribers of connecting companies directly connected with the switchboard of the Minong Telephone Company shall receive service co-extensive with that received by subscribers of the Minong Telephone Company and shall be listed in the same directory.

Bills for service to subscribers of connecting companies shall be made out to the connecting companies and be paid by their respective treasurers or other proper officials at the office of the Minong Telephone Company for such periods and in such manner as are set forth in Rule 1 of this order.

Dated at Madison, Wisconsin, this eighth day of March, 1919.

C. L. 89]

In re APPLICATION OF THE SHILOH TELEPHONE COMPANY FOR
AUTHORITY TO INCREASE RATES.

U-1050.

Decided March 8, 1919.

**Increase in Rural Rates Authorized—Allowance of 6 Per Cent. Made
for Reserve for Depreciation—Allowance of 8 Per Cent. Made
for Return on Investment.**

OPINION AND DECISION.

This application was filed with the Commission, January 11, 1919. It states that the Shiloh Telephone Company has in effect a rate of \$12.00 per year which it seeks to have increased to \$15.00 per year. The reason given for increasing the rate is that the present revenues are no longer adequate to cover the operating expenses under the present prices of materials and labor.

Notices of a hearing to be held February 6, 1919, at Madison, were duly issued, but no appearances for or against the granting of the application resulted.

The annual report of the Shiloh Telephone Company for the year ended December 31, 1918, shows that the utility provides telephone service to 88 subscribers in the vicinity of Sturgeon Bay. It has a total of 8 lines, all excepting one of which are metallic. The equipment consists of 25 miles of pole lead, 93½ miles of wire and the subscribers' stations. No switchboard equipment is owned by the company, the switching service being performed by the Wisconsin Telephone Company's Sturgeon Bay exchange at a rate of \$3.00 per telephone per year.

The value of the property as of December 31, 1918, is reported at \$2,413.40 in the annual report, but the secretary of the company states in a letter under date of January 20, 1919, that the directors estimate the property to be worth \$3,845. After due consideration of the nature and extent of applicant's property we are reasonably certain that the present reproduction cost is at least \$3,845. Depreciation and interest may therefore fairly be computed on this value.

The revenues and expenses of the Shiloh Telephone Com-

pany as reported to the Commission for the past three years are reproduced in TABLE I.

TABLE I.
REVENUES AND EXPENSES FOR 1916, 1917 AND 1918 OF THE SHILOH TELEPHONE COMPANY.

Classification	1916	1917	1918
<i>Revenues:</i>			
Toll Operating Revenue.	\$963 59	\$889 12	\$977 49
<i>Expenses:</i>			
Labor	\$150 12	\$121 87	\$356 18
Materials and Miscellaneous Items.	129 36	65 80	161 57
Paid for switching service	235 20	235 89	254 57
Depreciation		85 64	224 50
Taxes	24 09	32 59	28 91
TOTAL OPERATING EXPENSES	\$538 77	\$541 79	\$1,025 73
Net Operating Revenue	\$424 82	\$347 33	*\$18 24

* Deficit.

While the operating revenues and expenses as reported may be used as a guide in determining the exact status of applicant's financial condition, we note that they are in error in various regards. Among the apparent accounting errors made by the company are the confusion of cash receipts with operating revenues and the inclusion of construction costs with the operating expenses. Following is a statement of such operating costs as it appears should be covered by operating revenues:

Switching, 88 telephones, at \$3.00 each.	\$264 00
Maintenance labor	150 00
Materials for keeping system in repair:	
Batteries	60 00
Other supplies	90 00
Depreciation, 6 per cent. on \$3,845.	230 70
Taxes	28 91
TOTAL OF ABOVE ITEMS.	\$823 61
General expenses, 20 per cent. of \$823.61.	164 72
Interest, 8 per cent. on \$3,845.	307 60
TOTAL OPERATING COSTS	\$1,295 93

To cover operating costs of \$1,295.93 by revenues accruing from 88 subscribers, it will be necessary to have in effect an average rate of \$14.72 per subscriber per year. Applicant has requested a rate of \$15.00 per year which if placed in effect would produce \$1,320 of revenues from 88 subscribers. This is very close to the actual costs as estimated.

It is, therefore, ordered, That the applicant, the Shiloh Telephone Company, be, and the same hereby is, authorized to replace its present rate of \$12.00 per year with a rate of \$15.00 per year payable in quarterly installments of \$3.75 each.

Dated at Madison, Wisconsin, this eighth day of March, 1919.

In re APPLICATION OF THE IRON RIVER WATER, LIGHT AND
TELEPHONE COMPANY FOR AUTHORITY TO INCREASE
RATES.

U-1052.

Decided March 24, 1919.

**Increase in Business, Residence and Rural Rates Authorized—Allow-
ance of 14 Per Cent. for Reserve for Depreciation and Return
on Investment Authorized.**

Applicant sought authority to increase its business, residence and rural rates. The company's income sheet showed a gross income of \$577.76 in 1916, \$261.20 in 1917 and a deficit of \$1,080.79 in 1918. However, as the balance sheet showed no addition to plant although the reports of the company showed that the mileage had increased as had the number of telephones, the Commission estimated that the cost of extensions, to the amount of \$700 per year, properly chargeable to capital, had been charged to operating expenses. The Commission also compared the weighted average expenses per telephone for 30 Class D telephone utilities for the year 1918 with the applicant's unit costs for the same period and found that the total cost per telephone—excluding switched telephones—was \$19.20 in the case of the applicant as against \$10.17 in case of the weighted average; the total cost per telephone in each case, including central office expenses, wire plant expenses, substation expenses, commercial expenses, general expenses and undistributed expenses.

Held: That with the proper economy, not more than \$3,200 per year should be required for all expenses excluding taxes and reserve for depreciation;

That allowing \$1,260, 14 per cent. on the estimated present value of \$9,000, for reserve for depreciation and return on investment, and \$83.17 for taxes, the operating expenses of \$4,543.17 would exceed the 1918 revenues by \$686.91;

That in order to net approximately this increase in revenues applicant should be authorized to charge a business rate of \$2.25 per month, a one-party residence rate of \$1.75 per month, a multi-party residence rate of \$1.25 per month and a rural rate of \$1.25 per month net and \$1.50 per month gross.

OPINION AND DECISION.

Application in this matter was made on September 13, 1918. The application sets forth that the present and proposed rates are as follows:

	<i>Present</i>	<i>Proposed</i>
Business	\$2 00 per month	\$3 00 per month
One-party residence..	1 50 per month	2 00 per month
Village party lines...	1 00 per month	1 50 per month
Rural lines	1 00 net per month	1 25 net per month
	1 35 gross per month	1 50 gross per month

Increased cost of labor and materials is given as the reason for making the application.

Hearing in the matter was held at the office of the Commission at Madison, on October 10, 1918. *T. F. Mackmiller* appeared on behalf of the applicant; there were no appearances in opposition.

The applicant operates, in addition to its water and electric plant at Iron River, a telephone utility which served on December 31, 1918, 228 subscribers. Of these, 39 were business on one-party lines; 30 were residence on one-party lines; 50 residence on multi-party lines, and 109 rural subscribers. All of the local subscribers are on full metallic lines while all but one of the 14 lines classed as rural are grounded. The applicant switches approximately 20 telephones of the Bayfield Independent Telephone Company at 35 cents per month per telephone. Toll connections are made with the Barnes Telephone Company, Port Wing

Telephone Company, North Wisconsin Toll Line Company, and the Wisconsin Telephone Company.

The finances of the company, as reflected by the income accounts contained in its annual reports to this Commission are as follows for the years 1916 to 1918 inclusive:

TABLE I.
REVENUES AND EXPENSES

	For the Years Ending December 31		
	1916	1917	1918
<i>Operating Revenues:</i>			
Subscriber telephone earnings	\$2,757 44	\$2,784 69	\$3,207 97
Non-Subscriber telephone earnings			0 00
Switching service telephone earnings	88 20	87 15	87 50
Earnings from local toll lines			109 27
Commissions on long distance toll	340 60	455 19	451 52
TOTAL OPERATING REVENUE	\$3,186 24	\$3,327 03	\$3,856 26
<i>Operating Expenses:</i>			
Central office expense	\$858 85	\$1,106 97	\$1,622 56
Wire plant expense	211 40	200 40	595 05
Substation expense	75 00	225 65	301 30
Commercial expense	492 00	626 00	666 05
General expense	100 00	68 33	685 39
Undistributed expense	37 21	164 23	503 63
TOTAL OF ABOVE ITEMS	\$1,774 46	\$2,391 58	\$4,373 98
Depreciation	\$750 00	\$600 00	\$500 00
Contingencies (extraordinary)	67 03	12 00	11 50
Taxes	16 99	79 65	83 17
TOTAL OPERATING EXPENSES	\$2,608 48	\$3,083 23	\$4,968 65
Net Operating Revenues	\$577 76	\$243 80	*\$1,112 39
Non-Operating Revenues		17 40	31 60
Gross income	\$577 76	\$261 20	*\$1,080 79

* Deficit.

The balance sheets show a cost of property and plant of \$10,000. This amount has remained stationary for the past three years. The outstanding capital stock amounts to \$2,500 and other obligations in the form of first mortgage bonds amounting to \$7,500. In addition to the above the

report of December 31, 1918, shows current liabilities in the form of notes and bills payable to the amount of \$2,604.56. Accounts receivable amounted to \$1,023.62; materials and supplies to \$15.00, and there was a deficit of \$1,566.04.

On the face of the records as presented, it would appear that the financial situation of the applicant is serious, but the accounting practices of the company warrant some examination. While we have not had opportunity to make an audit of the applicant's records, there are certain checks which can be made from the data submitted in the annual reports which may shed some light on the situation. For instance, as above noted, the annual reports for 1916, 1917 and 1918, show no additions to property and plant. However, during this period the reports show that the plant has increased from 158 telephones to 228; from 73 miles of wire to 111 miles; from 29 miles of poles to 38 miles, and from 88 switchboard lines in use to 108 lines. The question arises as to what accounts the costs of these extensions have been charged upon the books of the utility. Since they have not been charged to the property and plant account, it is but reasonable to presume that they have been included under operating expenses in the maintenance account. The actual change in investment has probably amounted to at least \$2,100 in the three years, or an average of \$700 per year. If this average amount were added to the gross incomes for each year, as shown in TABLE I., it would effect the following changes:

Gross income year ending December 31, 1916.....	\$1,277 76
Gross income year ending December 31, 1917.....	961 20
Gross income year ending December 31, 1918.....	*380 79

* Deficit.

That the operating expenses for 1918 include items other than those properly chargeable to an expense account, is further evidenced by the ratio of the labor expense, as reported, to the total. For instance, under commercial expense the report shows labor to the amount of \$210, and

C. L. 89]

a total for the item of \$666.05, leaving \$456.05 as the charge for materials. This would amount to a charge of \$2.00 per telephone for material alone.

We do not believe it likely that such an amount has actually been expended for material for commercial purposes alone. Similar criticism might be made of other items. The following table sets forth the weighted average expenses per telephone for 30 class D telephone utilities for the year ended December 31, 1918, and compares these costs with the applicant's unit costs for the same period:

<i>Name of Account</i>	<i>Weighted Average of 30 Class D Telephone Utilities</i>	<i>Applicant's Unit Costs</i>
Central office expense per telephone excluding switched telephones.....	\$3 40	\$6 56
Wire plant expense per telephone excluding switched telephones.....	1 48	2 62
Substation expense per telephone excluding switched telephones.....	1 95	1 32
Commercial expense per telephone excluding switched telephones.....	64	2 92
General expense per telephone excluding switched telephones.....	1 66	3 01
Undistributed expense per telephone excluding switched telephones.....	72	2 21
TOTAL OF ABOVE ACCOUNTS PER TELEPHONE EXCLUDING SWITCHED TELEPHONES.....	\$10 17	\$19 20

The above comparison shows the abnormality of expenses of this utility as compared with the expenses of other utilities, comparable in size and scope of operation.

A note appended to the applicant's income account for the year ending December 31, 1918, states that it is impossible to operate the applicant's telephone property and pay its manager \$160 per month, three girls in the central office \$130 per month, the bookkeeper \$62.50 per month, make all necessary repairs, etc., and collect from customers \$325 per month. With this statement we are in agreement. However, the necessity with proper organization of the business, of paying \$160 per month for the manager of a telephone exchange of 228 subscribers may well be questioned. Moreover the propriety of paying a bookkeeper \$62.50 per

month for the bookkeeping services rendered to this utility, as evidenced by the records shown in the annual reports to this Commission, may also we believe be seriously questioned.

It appears impossible to determine from the data submitted what have been the expenditures which should be charged to operating expenses. Our only recourse it appears lies in estimating what should be legitimate operating expenses for this utility. This utility, we believe, should be able to operate at a cost somewhere in the neighborhood of the costs of other telephone utilities of a similar size. It is true that it gives all night service without extra charges on calls handled at late hours. This factor will have a tendency to increase the total operators' wages. On the other hand, this utility is jointly operated with a water and an electric utility and it might reasonably be expected that some economies of operation would result because of this fact. Our judgment is that with proper economy, certainly not more than \$3,200 per year should be required for all expense excluding taxes and depreciation upon the property.

As stated above, the book value of the property stands at \$10,000. No detailed valuation of the property has been made, but upon the basis of comparison with the unit values of other telephone utilities appraised by the Commission, the applicant's property would have a cost of reproduction of approximately \$9,000. If we were to allow interest and depreciation on this amount at 14 per cent., we would have \$1,260. This, combined with the operating expense of \$3,200 referred to above, plus taxes at \$83.17, the amount reported for the year ending December 31, 1918, amounts to a total of \$4,543.17. This amount exceeds \$3,856.26,—the revenues for 1918—by \$686.91. We will make such increases in the applicant's rate schedule as will net approximately this increase in rates. If the applicant can, with proper bookkeeping and management, substantiate the reasonableness and necessity of expenses greater than those allowed in this proceeding, other conclusions may be formed.

C. L. 89]

It is, therefore, ordered, That the applicant, the Iron River Water Light and Telephone Company, be, and the same hereby is, authorized to suspend its schedule of rates now in effect for telephone services and substitute therefor the following schedule:

Business	\$2 25 per month
One-party residence	1 75 per month
Multi-party residence	1 25 per month
Rural lines	1 50 gross per month
	1 25 net per month

All other rates of the present schedule shall remain unaltered.

The rates provided for in this schedule may become effective April 1, 1919.

Dated as Madison, Wisconsin, this twenty-fourth day of March, 1919.

In re APPLICATION OF THE HAMBURG TELEPHONE COMPANY
FOR AUTHORITY TO INCREASE RATES.

U-1053.

Decided March 24, 1919.

**Increase in Rates Authorized—Allowance of 14 Per Cent. Made for
Reserve for Depreciation and Return on Investment.**

OPINION AND DECISION.

The Hamburg Telephone Company, a corporation operating as a public utility under the laws of the State of Wisconsin, filed an application to increase its rates for telephone service with the Commission on February 5, 1919. It sets forth therein that its present rate is \$12.00 per year and that the revenue accruing from this charge is not sufficient to meet its operating expenses. It asks, therefore, that it be given permission to increase its rate to \$14.00 per year.

A hearing was set for March 6, 1919, at Madison, Wisconsin, but there were no appearances either for or against the application.

The company in question operates three rural lines with 57 subscribers which connect with the Wisconsin Telephone Company's exchange at Merrill, Wisconsin. The circuits are full metallic and the equipment consists of approximately 45 miles of poles and 90 miles of wire. The investment in plant is variously estimated in different reports but a conservative estimate would appear to be about \$3,400. The outstanding stock amounts to \$3,275, with no other capital liabilities.

The operating revenues and expenses for the years 1917 and 1918 are set forth in the following table:

TABLE I.		
Income Account—Hamburg Telephone Company		
Hamburg, Wisconsin.		
	1917	1918
<i>Revenues:</i>		
Total operating revenues.....	\$640 68	\$659 40
<i>Expenses:</i>		
Labor	238 00	297 85
Materials and miscellaneous items.....	59 24	107 44
Switching service	172 64	164 47
TOTAL ABOVE	\$469 88	\$569 76
Depreciation	100 00	150 00
Taxes	9 57	19 68
TOTAL OPERATING EXPENSES.....	\$579 45	\$739 44
Net operating revenue or deficit.....	61 23	*80 04

* Deficit.

It appears from the above two years' operations that the applicant can not longer continue to operate its plant for \$12.00 per year. It has also been set forth by the applicant that its switching rate has been increased by the Wisconsin Telephone Company from \$3.00 per subscriber to \$4.50 per subscriber and that such an increase

C. L. 89]

will cause a further deficit for 1919 over 1918. The rate as proposed by the Wisconsin Telephone Company is, in our opinion, illegal inasmuch as that company has not appeared before this Commission to have its rate for switching service at Merrill increased. The applicant is, therefore, under no obligation to pay the increase and no recognition of such increase has been made in estimating an adequate rate of return. If the applicant has overpaid for the first three months of 1919 in accordance with the billing of the Wisconsin company, such amount over and above \$3.00 per telephone, per year, the legal rate, should be deducted from the second quarter's payment.

In determining a reasonable rate for the applicant we have estimated its interest and depreciation charges at 14 per cent. on an investment of \$3,400 in lines and instruments. These fixed charges are equivalent to \$476 per year. The switching charges at \$3.00 per telephone per year will demand \$171 annually, making the total for these purposes \$647. Upon this basis the applicant's request for a \$14.00 rate, if granted, would leave but \$2.65 per telephone per year for all wire plant, substation, taxes and all other expense. This would necessitate very economical management on the part of the applicant, possibly even to the detriment of the service.

It will be noted the applicant's lines are too heavily loaded and we recommend that the steps be taken as soon as practicable to string another circuit and reduce the number of subscribers per line to that set forth in the Commission's Standards of Service.*

It is, therefore, ordered, That the applicant, the Hamburg Telephone Company, be, and the same hereby is, authorized to discontinue its rate of \$12.00 per instrument per year and to substitute therefor a rate of \$14.00 per year applicable to all subscribers alike.

Rates may be made effective April 1, 1919.

Dated at Madison, Wisconsin, this twenty-fourth day of March, 1919.

* See Commission Leaflet No. 34, p. 1127.

In re APPLICATION OF THE THREE LAKES TELEPHONE
EXCHANGE FOR AUTHORITY TO INCREASE RATES.

U-1054.

Decided March 31, 1919.

**Modification of Rates Authorized.— Short Term Rates Fixed — Excess
Mileage Charges Determined — Commission on Toll Rates Fixed.**

Applicant sought authority to increase its rates at Three Lakes, where it was charging business subscribers \$27.00 per year on a yearly basis, or \$3.00 per month on a short term basis; residence and rural subscribers from \$1.00 to \$1.75 per month on a yearly basis; and summer resorts from \$1.75 to \$3.00 per month on a short term basis. Because of unusual conditions it was almost necessary to determine a separate exchange rate for each subscriber. Insofar as it was possible, however, to standardize the rates without departing too far from the actual cost involved, the Commission believed that standard rates should be established, and deemed it advisable to establish a definite area in which definite rates should prevail. As the village of Three Lakes was not incorporated, the Commission arbitrarily defined the area encompassed by a half-mile radius from the postoffice and bank as the area to which the rates should apply.

Held: That applicant should be authorized to charge local subscribers whose telephones were within the local zone, net rates of \$2.00 for one-party business service, \$1.75 for two-party business service, \$1.75 for one-party residence service, \$1.50 for two-party residence service and \$1.25 for four-party residence service; these rates contemplating full term service. Gross rates, 25 cents in excess of net rates, should be authorized, the difference between gross and net rates to be given as a discount for prompt payment;

That local subscribers when applying for short term service should state the number of months service is desired, whereupon the telephone company should determine the season rate by applying the monthly net rate for full term service of the type ordered to the number of months for which service was desired and adding thereto 50 cents for each month within one year from the date of installation, in which service is not desired. The aggregate of these sums should constitute the season rate and should be payable before service is extended;

That for subscribers located outside the zone in which local rates apply, the rates provided for full term service should give recognition to the additional line costs involved, which should be divided equally among such subscribers as use the lines. These line costs should also be charged to the short term subscriber. As the annual charges found by the Commission applicable to the company's several members on its various rural

C. L. 89]

lines are reasonable, they should be charged — these yearly charges consisting of the yearly line charges plus the local yearly rate for such service as is received, and the short term charges consisting of the yearly line charges plus the full local monthly rate for the type of service received during the months the service is used and about 25 cents per month during the months the service is not used. To insure the payment of these costs, it is reasonable to provide that the charges for the first month should consist of (a) the excess line costs of one year, (b) the regular rental for one month and (c) the fixed charges on the instrument for eleven months in which service will probably not be used. When the instrument is owned or maintained by its subscriber only the first charge and the regular rental for one month, less 25 cents should be collected;

That the line costs as computed presuppose that petitioner has constructed, owns and operates all stub lines as well as main lines in use. For each mile of grounded line constructed, owned and maintained by the subscriber, a deduction of \$13.50 per year should be made from the charges as computed, and for greater or shorter distances proportionate deductions should be made. Deductions on metallic circuits should be at the rate of \$16.20 per mile per year. If the company maintains lines owned by subscribers, deductions should be at the rate of \$10.00 and \$12.00 respectively;

That applicant which had physical connection for toll service with the Eagle River Telephone Company — which had two toll stations in Three Lakes — should receive 20 per cent. of the revenues on all out toll messages originated on its lines and 3 cents on each toll message passing through its central office.

OPINION AND DECISION.

The applicant, the Three Lakes Telephone Exchange, is a public utility providing telephone service to 26 subscribers residing in or about the village of Three Lakes, Wisconsin. Some of the subscribers receive individual line service, others party service; some own their instruments or have provided portions of the distribution system, while others have furnished no part of the equipment used; some are located within a mile of the central office, while others are six miles therefrom; some demand service throughout the year, while others demand only short term service. These and other conditions not mentioned are supposedly reflected in the rates now in effect, which are:

Business Subscribers:

Yearly rate	\$27 00
Short term rate.....	3 00 per month

Summer Resorts:

Short term rates.....	from \$1.75 to \$3.00 per month
-----------------------	---------------------------------

Residence and Rural Subscribers:

Yearly rate	from \$1.00 to \$1.75 per month
-------------------	---------------------------------

The foregoing rates are alleged to yield less revenues than the aggregate costs to the applicant of operating and maintaining its exchange, wherefor its petitions for authority to place in effect certain increased rates ranging from \$15.00 to \$40.00 per year, depending upon such conditions as have been pointed out as being reflected in the rates now effective.

The petition also includes a matter of toll earnings adjustment. The Three Lakes Telephone Exchange is connected with the Eagle River Telephone Company's central office at Eagle River about twelve miles north of Three Lakes by means of a metallic toll line owned in its entirety by the latter company. Subscribers of the Three Lakes Telephone Exchange are thus provided with local toll service to Eagle River and with a connection to long distance service. The Eagle River Telephone Company also maintains two toll stations in Three Lakes. For such toll messages, local and long distance, as originate on its lines and are switched by it to the Eagle River Telephone Company, the Three Lakes Telephone Exchange has been receiving a flat rate of \$3.00 per month. This it alleges is inadequate remuneration. It asks that the Eagle River Telephone Company be directed to pay 25 per cent. of the revenues from all toll traffic originating in the town of Three Lakes and 5 per cent. of the revenues from all toll calls terminating at the Three Lakes Telephone Exchange's subscribers' stations, the same to be made effective as of December 1, 1917. Further petition is made that subscribers be required to pay all toll bills at the office of the

APPLICATION OF THREE LAKES TELEPHONE EXCHANGE. 1775

C. L. 89]

Three Lakes Telephone Exchange on or before the fifth day of each month.

A hearing was held September 10, 1918, at Antigo, Wisconsin, *James Donnelly*, owner and manager, appeared on behalf of the Three Lakes Telephone Exchange. There were no other appearances.

Because of the unusual conditions which obtain in this case it appears almost necessary to determine a separate exchange rate for each subscriber. Insofar as it is possible, however, to standardize the rates without departing too far from the actual costs involved, the Commission believes that standard rates should be provided. It is, therefore, deemed advisable to establish a definite area in which definite rates shall prevail. Since the village of Three Lakes is not incorporated it is thought best to arbitrarily define the area encompassed by a half-mile radius from the corner of the Main street, where the post-office and the bank are now situated, as the area within which local rates shall apply.

The following rates appear reasonable for local subscribers:

LOCAL RATES.

<i>Business Subscribers:</i>	<i>Gross</i>	<i>Net</i>
One-party, per month.....	\$2 25	\$2 00
Two-party, per month.....	2 00	1 75
 <i>Residence Subscribers:</i>		
One-party, per month.....	2 00	1 75
Two-party, per month.....	1 75	1 50
Four-party, per month.....	1 50	1 25

Short Term Service based upon regular net monthly rate for type of service received for months in which service is taken plus 50 cents per month for all months in which service is not taken, within one year from date of installation.

For subscribers located outside the zone in which the local rates apply, the rates provided for full term service should give recognition to the additional line costs involved, which should be divided equally among such subscribers as

use the lines. They should be charged to the short term subscriber of the telephone service in no less proportion than to the yearly subscriber.

Petitioner has, aside from a few short circuits serving subscribers close to the village, but two circuits extending materially beyond the area herein defined as the zone in which local rates shall apply. Proceeding upon this basis, we obtain the following annual charges to various subscribers for line costs on the one circuit.

J. H. Kurzelius.....	\$2 70
L. A. Bishop.....	18 90
Fred Williams	10 50
J. R. Nelson.....	10 50

and on the second circuit—

Lake Side Resort.....	1 60
McCoy's Cottage	1 60
Batavia Club	2 76
Ed. Stancel	7 62
J. H. Pults' Resort.....	14 91
Frederick Resort	13 69
Camp Minnewonki	19 09
Klose Resort	32 59
Serry Resort	31 24

Annual line charges for subscribers on the shorter circuits close to the village have been determined as follows:

Three Lakes Garage.....	\$3 38
H. Anderson, livery.....	4 05
Campbell's Farm	6 00
Dell Brewster	3 15

The line costs as computed presuppose that petitioner has constructed, owns and operates all stub lines as well as main lines in use. For each mile of grounded line constructed, owned and maintained by subscriber, a deduction of \$13.50 per year should be made from the charges as computed and for greater or shorter distances proportionate deductions should be made. Deductions on metallic circuits should be at the rate of \$16.20 per mile per year.

If the company maintains lines owned by subscribers deductions should be at the rates of \$10.00 and \$12.00, respectively.

The total yearly charges to be paid by subscribers located beyond the local service zone should consist of the yearly line charges plus the local yearly rate for such service as is received.

The total short term charges to be paid by subscribers located beyond the local service zone should consist of the yearly line charges plus the full local monthly rate for the type of service received during the months service is used and about 25 cents per month during the months service is not used. To insure the payment of these costs it appears reasonable to provide that the charge for the first month's service shall consist of:

1. The excess line costs for one year.
2. The regular rental for one month, and
3. The fixed charges on instrument for 11 months in which service will probably not be used.

The above charges should be paid before service is extended. For each additional month the only charge should be the regular monthly rental less 25 cents, the fixed charges on instrument, payment of which was made in the first month's charge. When instrument is owned and maintained by the subscriber the first month's charges will consist of:

1. The excess line costs for the year, and
2. The regular rental for one month less 25 cents.

Charges for additional months will be the same as for subscribers who do not furnish and maintain instruments.

The foregoing short term service charges contemplate that the instrument will not be removed from subscriber's premises during the time service is not used. It follows, therefore, that if the telephone company does remove instrument it does so at its own volition and should, therefore, not be allowed to make any special charges for removal or reinstallation of the instrument.

As to its fair share in the toll earnings we believe petitioner's demands are unusual. The usual practice is to give the originating exchange from 15 to 25 per cent. of the revenues from originating toll messages. This case is somewhat complicated, however, by the presence of the Eagle River Telephone Company's two stations in Three Lakes. It appears, therefore, that under the special conditions here existing it would be well to provide some remuneration on terminating toll calls in addition to the regular commission on outgoing messages. We believe if applicant received 20 per cent. of the revenues on all out toll messages and 3 cents on each in toll message passing through its central office that it will be receiving a reasonable remuneration for its services in relation to toll calls.

While no particular mention has been made of the actual operating costs to the applicant of rendering service, the evidence shows that the manager charges \$365 a year for taking care of the central office in addition to \$120 a year for office rent, light and heat. Out of the \$365, the manager pays for the operating labor. One operator is employed throughout the year excepting during the summer when the additional traffic emanating from the various resorts necessitates an extra operator for a period of about two and one-half months. Apparently the foregoing expenses represent only such expenses as are incident to the central office. When the cost of repair materials needed in the maintenance of the substations and wire plant, the miscellaneous expenses usually designated as commercial, general and undistributed expenses and when taxes and depreciation are considered in conjunction with the central office expenses, there can be no question as to the justification of the suggested rates and charges. We doubt if the suggested rates will yield sufficient revenues to provide a normal return on the investment, but it is our opinion that in its present state of development the utility should be satisfied with a relatively small return.

It is, therefore, ordered, 1. That the applicant, the Three Lakes Telephone Exchange, shall, for rate purposes,

C. L. 89]

classify its subscribers into the two main classes: Local subscribers and rural subscribers.

Local subscribers shall include all subscribers whose telephones are located within the local zone as defined in the body of this decision and rural subscribers shall include all other subscribers.

2. That the Three Lakes Telephone Exchange be, and the same hereby is, authorized to place in effect the following rates and rules:

LOCAL RATES.

(To be applied to all local subscribers as defined in Section 1 of this order.)

FULL TERM SERVICE — RATES PER MONTH.

<i>Business Subscribers:</i>	<i>Gross</i>	<i>Net</i>
One-party service, per month.....	\$2 25	\$2 00
Two-party service, per month.....	2 00	1 75

Residence Subscribers:

One-party service, per month.....	2 00	1 75
Two-party service, per month.....	1 75	1 50
Four-party service, per month.....	1 50	1 25

SHORT TERM SERVICE — RATE PER SEASON.

Parties when applying for short term service shall state the number of months service is desired, whereupon the telephone exchange will determine the season rate by applying the full term service monthly net rate for the type of service ordered to the number of months for which service is desired and add thereto 50 cents for each month within one year from the date of installation, in which service is not desired. The aggregate of these sums shall constitute the season rate and shall be payable before service is extended.

RURAL RATES.

(To be applied to all Rural Subscribers as defined in Section 1 of this order.)

Name of Subscriber	Class of Service	Full Term Service			Short Term Service		
		Yearly Rate Net	Monthly Rate		First Month Net	Each Additional Month	
			Gross	Net		Gross	Net
Three Lakes Garage.....	2B	\$24 00	\$2 25	\$2 00	\$7 50	\$1 75	\$1 50
H. Anderson — livery.....	2B	24 00	2 25	2 00	7 50	1 75	1 50
Campbells's Farm.....	2R	24 00	2 25	2 00	10 25	1 50	1 25
Dell Brewster.....	2B	24 00	2 25	2 00	7 50	1 75	1 50
Lake Side Resort.....	MB	21 00	2 00	1 75	7 25	1 50	1 25
McCoy Cottage.....	MR	15 00	1 50	1 25	6 75	1 00	75
Batavia Club.....	MB	21 00	2 00	1 75	7 25	1 50	1 25
Pulta Resort.....	MB	33 00	3 00	2 75	19 25	1 50	1 25
Stancel Farm.....	MR	21 00	2 00	1 75	12 75	1 00	75
Frederick Resort.....	MB	33 00	3 00	2 75	19 25	1 50	1 25
Camp Minnewonki.....	MB	36 00	3 25	3 00	22 25	1 50	1 25
Klose Resort.....	MB	48 00	4 25	4 00	34 25	1 50	1 25
Serry Resort.....	MB	48 00	4 25	4 00	34 25	1 50	1 25
J. H. Kurselius Resort.....	MB	21 00	2 00	1 75	7 25	1 50	1 25
L. A. Bishop Resort.....	MB	36 00	3 25	3 00	22 25	1 50	1 25
Nelson Farm.....	MR	21 00	2 00	1 75	12 75	1 00	75
Fred Williams.....	MR	21 00	2 00	1 75	12 75	1 00	75

RULES.

1. *Discount:*

When gross and net rates are quoted it shall be understood that the difference between these rates constitutes a discount which shall be given to subscribers paying their monthly bill before the fifteenth of the month in which bill is rendered.

2. Bills are payable at the office of the Three Lakes Telephone Exchange.

3. *Billing:*

Subscribers will be billed before the 5th of each month for all toll charges contracted from the date of the preceding billing plus the month's exchange rentals at the gross rates.

4. *Rebates:*

Subscribers furnishing and maintaining their instruments or portions of their distribution equipment will be given additional deductions as follows:

For such instrument furnished and maintained, \$3.00 per year or 25 cents per month.

APPLICATION OF THREE LAKES TELEPHONE EXCHANGE. 1781

C. L. 89]

For each instrument furnished but maintained by the company, \$1.80 per year or 15 cents per month.

For each mile of grounded line (poles and wires) furnished and maintained by subscriber, \$13.50 per year or \$1.15 per month.

For each mile of grounded line (poles and wire) furnished by subscriber but maintained by the company, \$10.00 per year or 85 cents per month.

For each mile of metallic line (poles and wire) furnished and maintained by subscriber, \$16.20 per year or \$1.35 per month.

For each mile of metallic line (poles and wire) furnished by subscriber but maintained by the company, \$12.00 per year, or \$1.00 per month.

If more or less than one mile of line is furnished and maintained or merely furnished by the subscriber the deductions shall be proportional to those provided for one mile of line, but, no deduction shall be made on any section of line less than one quarter mile in length.

5. *Change in Rates for Change in Class of Service — Rural:*

The rates here provided are based upon such service as it appears subscribers are receiving. If subscriber is quoted at multi-party residence rate (MR) subtract \$6.00 per year or 50 cents per month from the rates quoted, and *vice versa* add \$6.00 per year or 50 cents per month if the reverse situation exists. In the same manner rates for two-party business (2B) or two-party residence (2R) may be changed by adding or subtracting the differentials existing between the class of service at which subscriber has been quoted and the class of service which is actually received.

3. That the Eagle River Telephone Company shall pay to the Three Lakes Telephone Exchange for its service in handling toll calls 20 per cent. of the revenues received from all out toll messages and 3 cents on each in toll messages passing through the central office of the Three Lakes Telephone Exchange.

It is recommended, That the Three Lakes Telephone Exchange purchase all equipment now furnished by its subscribers used or useful in its business.

Dated at Madison, Wisconsin, this thirty-first day of March, 1919.

CANADA.

Board of Railway Commissioners.

In re APPLICATION FOR AN ORDER DIRECTING THE BELL TELEPHONE COMPANY TO DISMISS FROM ITS SERVICE J. A. ANDERSON.

File No. 29113.

Decided February 8, 1919.

Distinction between Regulation and Management Made.

RULING.

Application is made for an order of the Board directing the dismissal from the service of the Bell Telephone Company of J. A. Anderson, formerly traffic manager of the said company.

The jurisdiction of the Board in respect of the Bell Telephone Company is entirely one over rates, including under such jurisdiction the provisions of the Railway Act in regard to discrimination. *Tinkess v. Bell Telephone Company*,* 20 C. R. C., 249, at p. 253. In the same case, where a service re-arrangement was made by the company, it was held, at p. 255, that the re-arrangement which the Bell Telephone Company proposed to make was a matter of internal management of its business, over which the Board had no power as it had been given no jurisdiction by Parliament.

The limitation of the Board's jurisdiction to rate matters so far as the Bell Telephone Company is concerned is also stated in *North Lancaster Exchange v. Bell Telephone Company*,† 21 C. R. C., 220.

Under no section of the Railway Act is the Board given any jurisdiction to interfere with the internal discipline of a telephone company in respect of directing the dismissal

* See Commission Leaflet No. 55, p. 516.

† See Commission Leaflet No. 73, p. 181.

C. L. 89]

of one of its employees. The Board has a jurisdiction over railway companies in respect of service which it does not possess in the case of telephone companies; but here, notwithstanding its wider jurisdiction, there is no power to interfere with the internal discipline of a railway company in respect of directing the dismissal of one of its employees.

Reference may be made to the application of Roy Gillies, of Macrorie, Saskatchewan, asking for the removal of the Canadian Northern station agent. Applicant was advised that it was purely a matter of internal railway discipline and one over which the Board had no jurisdiction. (File 26902.)

Wherever the Board has received a complaint desiring the disciplining or removal of a railway employee, the position has been taken that this is a matter of internal discipline of the company over which the Board has no jurisdiction. This position, which applies in the field of railway regulation where the Board has a wide jurisdiction, applies equally in the field of telephone regulation where the Board has a narrow jurisdiction.

February 8, 1919.

ONTARIO.

The Railway and Municipal Board.

In re APPLICATION OF THE ST. MARY'S, MEDINA AND KIRKTON TELEPHONE COMPANY, LTD., FOR AUTHORITY TO INCREASE RATES.

P. F.-5034.

Decided November 30, 1918.

Increase in Rates Authorized — Company Ordered to Make System Full Metallic — Further Increase Authorized to Become Effective Upon Such Reconstruction — Allowance of 5 Per Cent. Ordered Set Aside for Reserve for Depreciation — Use of Depreciation Fund Outlined.

ORDER.

Upon the application of the above-named applicant, upon hearing the evidence adduced on behalf of all parties, upon reading statement of assets and liabilities, receipts and disbursements, and other material filed.

The Board orders, That the applicant, The St. Mary's, Medina and Kirkton Telephone Company, Limited, be authorized to charge the following rates for telephone service:

To each subscriber to whom the applicant is furnished service by means of a metallic circuit.....	\$13 50 per annum
To each subscriber to whom applicant is furnishing service by means of a single grounded circuit.....	12 00 per annum

And the Board further orders:

1. That the applicant proceed without any unnecessary delay to carry out such reconstruction and improvement of its plant and equipment as may be necessary to enable the furnishing of service to its subscribers by means of metallic circuits on or before the thirty-first day of October, 1919; after which date, and subject to the condition that the

applicant is then furnishing service to all of its subscribers by means of metallic circuits, applicant may charge its subscribers the annual sum of \$15.00 for telephone service.

2. That, for the purpose of providing a fund to meet the cost of the renewal of its plant and equipment, the applicant shall on December 31, 1919, and each year thereafter set aside out of its earnings a sum equal to not less than 5 per cent. of the total value of the plant and equipment used in the applicant's business on December 31 in each such year. The fund so provided shall be applied exclusively to the cost of renewing such portion of the said plant and equipment as may from time to time be rendered necessary by depreciation or obsolescence, and after deducting therefrom such amounts as may have been so expended in any one year the residual amount shall be placed on deposit in a chartered bank, as a separate account, or may be temporarily used in the purchase of such securities as the Board may approve of until the exigencies of the applicant's business renders necessary the application, as aforesaid, of such fund or any portion thereof.

3. That the applicant shall on or before the fifteenth day of January in each year, furnish the Board with a report setting forth: (a) The total amount standing at the credit of the fund referred to in Clause 2 hereof on the thirty-first day of December in the preceding year; (b) The amount of such fund which has been temporarily used in the purchase of securities; (c) The name and values of the securities so purchased, together with (d) a certified statement from the bank in which the fund is deposited, showing the amount standing at the credit of such fund on the last named date.

4. That the applicant shall keep in such form as the Board may approve separate records of all expenditures upon the construction, operation, maintenance and renewal of its plant and equipment, and shall furnish such information in regard thereto as the Board may deem necessary in order to satisfy the Board that the provisions of the two next preceding clauses are being carried out,

1786 THE ONTARIO RAILWAY AND MUNICIPAL BOARD.

[Ont.

And the Board makes no order for costs, save and except that the applicant shall pay \$10.00 for the law stamps required for this Order.

November 30, 1918.

JAMES NAIRN AND JOHN G. ROY v. THE SEBRINGVILLE TELEPHONE COMPANY AND THE ST. MARY'S, MEDINA AND KIRKTON TELEPHONE COMPANY, LTD.

P. F.-5046.

Decided November 30, 1918.

Establishment of Physical Connection Ordered — Charge for Each Message Passing Over Switch Fixed.

ORDER.

Upon the application of the above-named applicants, in the presence of applicants and respondents, upon hearing the evidence adduced on behalf of the applicants and respondents, and upon hearing counsel for the applicants and respondents.

The Board orders:

1. That the respondents shall establish on or before December 31, 1918, an office in the village of Fullarton and shall install therein a suitable switch to enable the carrying out of an interchange of service between the subscribers of the respondents' telephone systems by means of the existing party lines of the respondents now terminating in the said village of Fullarton and connecting upon the switchboards of the respondents in the villages of Sebringville and Kirkton, respectively.

2. That the charge for each conversation or message transmitted over the said party lines of the respondents by means of the switch referred to in the preceding paragraph shall be 5 cents.

3. That the respondent, The St. Mary's, Medina and Kirkton Telephone Company, shall forthwith convert its

COMMISSIONERS *v.* THE ARMSTRONG IND. T. Co., LTD. 1787
C. L. 89]

present party line grounded circuit between Kirkton and Fullarton into a party line metallic circuit.

And the Board makes no order for costs or for the law stamps in connection with this order.

November 30, 1918.

COMMISSIONERS FOR THE TELEPHONE SYSTEM OF THE MUNICIPALITY OF KERNS *v.* THE ARMSTRONG INDEPENDENT TELEPHONE COMPANY, LTD.

P. F.-5047.

Decided December 31, 1918.

Direct Physical Connection Denied Where Indirect Existed.

REPORT.*

I have to advise you that in accordance with the directions of the Board I attended in New Liskeard for the purpose of enquiring into the above matter on December 11, 1918, and beg to submit herewith my report thereon, as follows:

The applicants were represented by *Messrs. H. J. Pen-son* and *E. Sackrider*, chairman and secretary, respectively, of The Kerns Municipal Telephone System, and the respondent by *P. F. Lafleur*, president, *James Fields*, director, and *Lewis Porteous*, secretary, of the Armstrong Telephone Company, Limited.

It would appear from the evidence adduced that a verbal arrangement was entered into between the applicants and respondent about two years ago, whereby the respondent agreed to pay applicants \$4.50 per telephone for switching services, that payment to include free interchange among the subscribers of the respective systems. At that time there were upon the applicants' system approximately two

* Report of Francis Dagger, Esq., the Board's Electrical and Telephone Expert, to D. M. McIntyre, Esq., K. C., Chairman of Ontario Railway and Municipal Board, dated December 18, 1918.

hundred telephones and upon the respondent's system twelve telephones.

The applicants' system has two central offices — one at Milberta, nine miles distant from Earlton where respondent's system is located, and one at Thornloe, four and one-half miles from Earlton, connection with the respondent's system being made at Thornloe.

Owing to a disagreement between the parties as to the terms of connection under the verbal arrangement referred to, the applicants cut the connection, and, after a severance covering a period of two months and a half, the connection was restored pending an agreement between the parties. This agreement has never been reached, hence the application to this Board.

It would appear that applicants propose centering all their lines upon the Milberta switchboard and abolishing the Thornloe central. It will, therefore, be necessary if connection with respondent's system is to be continued to build an additional four miles of circuit to reach Milberta. The applicants are, therefore, not prepared to continue connection at a flat rate basis per telephone unless the respondent pays the cost of extending its line from Thornloe to Milberta, and have asked this Board to fix the terms for interchange upon that basis.

The respondent's officials now state that they do not want connection with the applicants' system as suggested for the following reasons: (1) The company has established its own central office at Earlton; (2) That it has connection with the long distance lines of The Temiskaming Telephone Company; (3) That its subscribers can obtain connection with the applicants' system via The Temiskaming Telephone Company's line from Earlton to Milberta at a toll of 15 cents per conversation.

In the opinion of the writer if direct interchange of service is to be established between these two systems the proper method would be by a trunk circuit erected at the joint expense of applicants and respondent between the central offices at Earlton and Milberta, and to establish a

C. L. 89]

toll charge per conversation to be equally divided as between the two systems. In view, however, of the fact that communication may already be had via The Temiskaming Telephone Company's line, which line has connection in the same central office as respondent's line at Earlington, there would appear to be no necessity for this Board to issue an order in the matter.

For the reasons above stated, I would recommend that this application be denied and that applicants and respondent be advised that, in view of the fact that the respondent states the existing facilities for interchange of service to be entirely adequate for the needs of its subscribers, the Board is not disposed to burden the company with an expenditure it does not wish to assume.

ORDER.

Upon the application of the above named applicants and upon reading the report* of Francis Dagger, Esquire, the Board's Electrical and Telephone Expert, who heard the evidence adduced on behalf of the applicants and respondent, and other material filed, and it appearing that the subscribers to the respondent's system can obtain connection with the subscribers to the applicants' system via the lines of The Temiskaming Telephone Company, Limited, which connect with the switchboards of the respondent and the applicants at Earlington and Milberta, respectively, which method of interchange of service is entirely satisfactory to the respondent,

The Board orders and directs, That the said application be, and the same is hereby, dismissed.

And the Board makes no order for costs, save and except that the applicants and the respondent shall each pay \$2.50 for the law stamps required for this order.

December 31, 1918.

* See p. 1787, *supra*.

1790 THE ONTARIO RAILWAY AND MUNICIPAL BOARD.

[Ont.

COMMISSIONERS FOR THE TELEPHONE SYSTEM OF THE MUNICIPALITY OF KERNS *v.* THE TEMISKAMING TELEPHONE COMPANY, LTD.

P. F.-5089.

Decided December 31, 1918.

Reduction in Toll Rates Ordered—Modification of Contract as to Division of Interline Revenue Ordered.

REPORT.*

I have to advise you that, in accordance with the direction of the Board, I attended in New Liskeard for the purpose of enquiring into the above matter on December 11, 1918, and beg to submit herewith my report thereon, as follows:

The applicants were represented by *Messrs. H. J. Pen-son* and *E. Sackrider*, chairman and secretary, respectively, of The Kerns Municipal Telephone System, and the respondent by *Messrs. T. McCamus*, president, *F. L. Hutchinson*, director, *P. R. Craven*, secretary, respectively.

From the evidence adduced it would appear that applicant and respondent are interchanging service over their respective lines under an agreement dated April 20, 1917.

Clauses 5 and 6 of this agreement provide as follows:

"5. The charge to subscribers for each conversation of three minutes duration originating on the system of the proprietors and terminating upon the system of the company at New Liskeard exchange, shall be 25 cents, of which 25 per cent. shall accrue to the proprietors and the balance to the company.

6. The charge to the subscribers for each conversation of three minutes duration originating on the system of the company at New Liskeard exchange and terminating upon the system of the proprietors shall be 25 cents, of which 75 per cent. shall accrue to the company and the balance to the proprietors."

Under the aforesaid conditions the toll charge between the systems of the applicants and respondent is 25 cents

* Report of Francis Dagger, Esq., the Board's Electrical and Telephone Expert, to D. M. McIntyre, Esq., K. G., Chairman of Ontario Railway and Municipal Board, dated December 19, 1918.

C. L. 89]

per conversation, of which amount applicants receive a commission of 25 per cent. on both outgoing and incoming calls.

The applicants furnish no part of the connecting line other than the terminal on the switchboard at Milberta. Notwithstanding this fact it is submitted on behalf of the commissioners that the applicants should receive a larger share of this toll. Mr. P. R. Craven, on behalf of the respondent, stated that, while his company was unwilling to pay a larger percentage on this business to the applicants, it was willing to accept a toll of 15 cents per conversation in lieu of 25 cents if the applicants would forego any commission upon that amount. This offer the applicants had refused on several occasions.

The distance between New Liskeard and Milberta, the central office of the applicants, being only twelve miles, the writer is of the opinion that 25 cents per conversation is too high a toll charge for this business, especially in view of the fact that the respondent is willing to accept 15 cents. Moreover, as the applicant is a municipal system, the cost of operation and maintenance being borne by the subscribers, there would appear to be no inducement to unduly tax the subscribers upon conversations with their business center, New Liskeard.

I would also direct your attention to the fact that Clause 8 of the agreement already referred to provides for a commission of 20 per cent. upon all long distance business originating upon applicants' system to points on the respondent's system other than New Liskeard.

It does not appear to the writer that applicants should be entitled to any higher commission on business with New Liskeard than to other points on the long distance systems of the respondent.

I, therefore, recommend that this Board fix the toll charge for conversations between the applicants' system and New Liskeard at 15 cents, and provide that the applicants shall be paid 20 per cent. of that amount upon all calls originating upon The Kerns Municipal Telephone System.

ORDER.

Upon the application of the above-named applicant and upon reading the report* of Francis Dagger, Esquire, the Board's Electrical and Telephone Expert, who heard the evidence adduced on behalf of the applicants and respondent, and other material filed,

The Board orders, That the charge to subscribers to the telephone systems of the applicants and respondent for each conversation of three minutes' duration originating upon the system of the applicant and terminating upon the system of the respondent at New Liskeard, and *vice versa*, shall be 15 cents, which amount shall accrue to the respondent.

And the Board further orders, That Clause 8 of the agreement dated the twentieth day of April, 1917, between the respondent and the applicants shall be amended to read as follows:

(8) The company shall pay to the proprietors 20 per cent. of the net receipts received by the company, exclusive of all amounts payable to the proprietors of systems not owned by the company, for conversations originating upon the system of the proprietors and terminating upon the system of the company.

And the Board further orders, That the aforesaid agreement dated the twentieth day of April, 1917, be forthwith amended so as to include the provisions contained in this order, and when the said agreement is so amended that the same be submitted to this Board for approval.

And the Board makes no order for costs, save and except that the applicants and the respondent shall each pay \$2.50 for the law stamps required for this order.

December 31, 1918.

* See *supra*, p. 1790.

SUBJECT INDEX.

SUBJECT INDEX.

C. L. 84-89 inclusive.

December, 1918 — May, 1919.

ACCOUNTS:	PAGE
duplicate property ordered charged to surplus or to deficit	566, 568
profit and loss, charging of discount and expenses incurred in sale of bonds to, authorized	333, 336, 340
system:	
outlined	1083, 1088
uniform:	
approved	1358-1360
ordered installed	155, 157-159, 591-592, 597-598, 1644, 1649
prescribed	711-712
See also Operating Expenses; Reports; Reserve for Depreciation.	
ADVANCE PAYMENT:	
annual, from switching subscribers authorized	976, 1109
discount for, approved	66, 68, 77, 79, 160, 162, 252, 575, 579 678, 826, 1035-1037, 1360-1362
discrimination in requirement of, forbidden	1478, 1480
requirement for, approved	1621-1622
annual	1360-1362
greater period than, held to retard development	1478, 1480
service stations, from	1600, 1603
subscriber desiring extension, from, ordered	1478-1481
switching subscribers, from	66, 68, 77, 79, 736, 1243, 1245
quarterly	832, 1159, 1165
all subscribers, from	1533-1534, 1540
city subscribers, from	66, 68, 819, 826, 976
farm line subscribers, from	72, 75, 77, 79, 81, 86 160, 162, 207, 303-304, 488, 598, 676, 678, 776 781-782, 789, 837, 1119, 1130, 1487-1490, 1542 1548, 1570, 1574-1575, 1600, 1603, 1666, 1716 1759-1760, 1763
suburban subscribers, from	1109
switching subscribers, from	934, 1758-1760

SUBJECT INDEX.

ADVANCE PAYMENT — Continued:

PAGE

requirement for, approved — continued:

semi-annual:

all subscribers, from..... 1247, 1249
 farm line subscribers, from.....72, 667, 672, 1109
 switching subscribers, from.....211, 252, 288, 303-304
 1570, 1574-1575, 1648-1649

short term service, prior to giving, approved..... 1777

See also Deposits; Penalties; Prompt Payment.

AMORTIZATION:

abandoned plant value, of, authorized.....333, 336, 340
 appraisal expense, of, ordered.....943-944, 950
 discount on securities, of, ordered.....333, 336, 340, 389-390, 395
 453-454, 755-756, 758, 1400, 1402, 1577-1578

expenses of sale of bonds, of, authorized.....333, 336, 340

non-usable property minus salvage value, of, ordered...533, 535-537

See also Depreciation; Reserve for Depreciation.

APPEALS:

certificate of exigency for operation of telephone business

by telegraph company, Commission held to be without

jurisdiction to order upon: decision affirmed upon

rehearing 47

extension of time for filing new schedule granted pending. 86-87

further rehearing denied..... 555

passing upon proposed issue of stock dividends by foreign

corporation held not within jurisdiction of Commission

upon 1377

See also Hearings; Rehearings; Review.

ASSOCIATIONS:

rate increase upon application by association on behalf of

several companies, for:

authorized 913-916

dismissed 1240-1242

AUTOMOBILES. See Operating Expenses.

BANKRUPTCY:

property transferred by court in proceedings of, sale

approved 1378-1380

BETTERMENTS. See Securities: issue: betterments; Sur-

plus: betterments.

BILLS:

detailed statements of toll and switching charges ordered

furnished connecting company..... 1466, 1468

SUBJECT INDEX.

BILLS — Continued:	PAGE
disputed:	
adjudication of, not within jurisdiction....	1471-1472, 1475-1476
written rule for continuance of service during litigation over, not required.....	746-747
notice of refund if rates not found reasonable to be stamped on	1059-1060
uncollectible, 2% allowance made for.....	1043
BONDS. See Indemnity; Securities.	
BOOKS. See Records.	
CANCELLATION CHARGE:	
approved	493, 507
CAPITALIZATION:	
bond discount, of, denied.....	395
construction costs, of, plan outlined.....	1656, 1661-1662
franchises, of, disapproved by concurring Commissioner..	20
interest accrued during construction, of, authorized.....	663, 671, 673
purchase price, only part of, to be capitalized.....	533, 535, 537
stock issue to equalize value of property and:	
dividends, of, authorized.....	1636-1637
increase suggested	1636-1637, 1655-1657, 1662
undercapitalization of purchasing company considered in permitting sale of property.....	1232, 1234
See also Amortization.	
CHARITABLE INSTITUTIONS. See Discrimination: free and reduced rate service.	
CHURCHES. See Discrimination: free and reduced rate service.	
CIRCUITS:	
communication, defined	24-25
signal, defined	24
CLERGYMEN. See Discrimination: free and reduced rate service: ministers.	
CLUBS. See Discrimination: free and reduced rate service.	
COIN BOXES. See Pay Stations.	
COMMISSIONS. See Rates: toll: division.	
COMPETITION:	
disadvantages of, eliminated by consolidation.....	1576, 1584, 1615 1619-1620
prevention of subscribers changing from a company to its competitor not within jurisdiction.....	1116-1117
See also Consolidation: competing; Duplication; Physical Connection: formerly; Public Convenience and Necessity: certificates: invasion; Rates: competitive; Sale of Property; Securities: issue: competitors.	

SUBJECT INDEX.

CONSOLIDATION:

	PAGE
authorized	112-116, 149-154, 621, 880-881 1374-1376, 1378-1380
order amended	416-417
competing companies, of:	
authorized	311-315, 349-353, 458-460, 566-569, 607-618 623-624, 663-674, 1231-1235, 1276-1280, 1291-1295 1576-1591, 1608-1613, 1615-1620, 1692-1695
order modified	564-566
recommended	839, 841
cost of:	
charge to depreciation reserve account disapproved..	211-212 219, 237
method of caring for, outlined.....	212, 219, 223
extension of time for completion of, authorized.....	355-356
formation of company to take over properties of other companies following, approval denied.....	1048-1052
smaller companies into larger, approved.....	1374-1375, 1379
See also Competition; Duplication; Intercorporate Relations; Physical Connection; Rates: consolidation; Sale of Property.	

CONSTRUCTION OF LINES:

capitalization of cost, plan for, outlined.....	1656, 1661-1662
clearances, rules governing, prescribed.....	29
compensation to city, Commission without power to make payment a condition of authorization.....	508-513, 858
cooperation between parties ordered.....	26
crossings over railway tracks ordered removed or made underground	1068
policy of Commission as to, outlined.....	1747-1749
power company, by, permitted along highway not occupied by telephone lines.....	92-100
reconstruction:	
ordered: extension of time for completion of, granted.	1347-1348
prevention of interference with power lines:	
expense of:	
borne by telephone company.....	1747, 1749-1750
shared by power company.....	1132, 1138
ordered	1132-1138, 1747-1750
rate increase for, denied where earning fair in past.	849-851, 854
specifications for, prescribed.....	24-40
switches, rules governing, prescribed.....	36-37
transformers, rules governing, prescribed.....	35-36, 38
transpositions, rules governing, prescribed.....	30-34
See also Electrical Interference; Extensions; Lines.	

SUBJECT INDEX.

CONTRACTS:

PAGE

connecting agreements:	
approved	580-582
consolidation, to be fulfilled following.....	149-154
order amended	416-417
execution ordered	1465, 1468-1470
no allowance made for, in valuation of property..	1195, 1199-1200
not to be affected or impaired by sale of prop- erty	1276-1277, 1279, 1291, 1294
ordered signed	465, 471-472
division of interline toll revenues, covering, ordered modi- fied	1790-1792
free service, for, held discriminatory.....	1315, 1324-1326
municipal corporations, with, rate increase authorized sub- ject to	514-515
Postmaster General and Bell System, between, considered.	1727
	1732-1733
rates fixed by:	
increase authorized	404-406
where not inconsistent with.....	514-515, 517-518
jurisdiction over, discussed.....	406-407
restoration of flat toll and switching rates fixed by, denied	1336-1346
suspended by schedule rates.....	1746
switching service, for, ordered made.....	775, 780-782
	1717-1718, 1720-1722
utility and subscriber, between, not binding on Commission	1315
	1325-1326

See also $4\frac{1}{2}\%$ Payment; Franchises; Rates.

CREDITS. See Refunds: wrong numbers.

CROSSINGS. See Construction of Lines.

DEBTS:

uncollectible, allowance made for.....	1712
2%	1655-1656

DEEDS OF TRUST:

execution authorized	1605-1607
----------------------------	-----------

See also Mortgages.

DEPOSITS:

new subscribers, from, of three months' rental authorized.	372-374
short term service, prior to giving, approved.....	1774

See also Advance Payment; Installation Charge; Penalties; Prompt Payment.

SUBJECT INDEX.

DEPRECIATION:

	PAGE
causes of, discussed.....	164, 173, 775
defined	3, 20
distinction between maintenance and, discussed.....	389, 399-400
inspection method used in connection with life table method in determining	543, 926, 1237, 1599, 1601
life table method used in determining.....	269, 543, 926, 1237 1599, 1601
rate of, considered.....	932, 939

See also Amortization; Reserve for Depreciation.

DESK TELEPHONES. See Rates.

DIRECTORIES:

listings:

hotel guests required to pay extra rate for listings...	1106
private branch exchanges entitled to but one each....	1107-1108
rates for extra, approved.....	248, 321, 325, 493, 540-541 546, 551, 554, 557, 563, 570-571, 573, 909, 912, 922 924, 929, 1110, 1236, 1239, 1600, 1603, 1694
subscribers of connecting companies, of, ordered.	1753, 1755, 1760

DISCOUNT:

advance payment, for, approved.....	66, 68, 77, 79, 160, 162, 252, 575
bonds, on:	579, 678, 826, 1035-1037, 1360-1362
discussed	392-395
expenses and, incurred in sales, charging to profit and loss, authorized	333, 336, 340
financial transactions between parent and subsidiary cor- porations, Commission reluctant to permit.....	1265-1266, 1270
prompt payment, for:	
approved	71-72, 75, 77, 79, 81, 85, 89, 92, 123-124, 155-157 210-211, 271, 288, 299, 302-304, 319-320, 322 326-327, 370, 376-377, 485, 488, 520, 557, 563 570, 573, 599, 601, 617, 667, 672, 678, 688, 691 730, 736, 749-750, 775-776, 781, 786, 788 790-791, 797, 799, 827-828, 893-894, 897-898 908-909, 912, 932-933, 942-945, 952, 1015 1020, 1035-1037, 1039, 1148, 1152, 1157-1158 1165, 1197, 1205, 1210-1212, 1215-1216, 1218 1236, 1239, 1243, 1245-1246, 1249, 1281, 1286 1306-1307, 1351-1352, 1354, 1488-1490, 1493 1495, 1498, 1532-1534, 1540-1542, 1548, 1556 1569-1570, 1574-1575, 1597-1600, 1603 1643-1644, 1649-1650, 1654-1655, 1663-1666 1709-1711, 1716, 1752-1754, 1759, 1772, 1775 1779-1780
equal to rate increase.....	210-211, 913-916, 1039, 1242 1244-1245, 1486-1488, 1597-1598, 1650-1654

SUBJECT INDEX.

DISCOUNT — Continued:

PAGE

prompt payment, for — continued:

billing with different discount periods for different exchanges in same city authorized.....	418-419
rule governing, to be printed on bills.....	791, 798

DISCRIMINATION:

combination business and residence rates:

approved	705, 711-712
eliminated	107-108, 999-1000, 1002-1003
higher for service on two circuits than on one, denied	705-706, 710
not approved	1753, 1759
permitted	119-120, 124

enforcement of rule prohibiting use of German language,

 in, ordered eliminated..... 1627-1629

farm line rates, in, ordered eliminated..... 663, 669-670

free and reduced rate service:

 charitable institutions, residence rate applicable to... 81, 85, 321
 325, 492, 506, 540, 546, 807, 815, 1178, 1194

 churches, residence rate applicable to... 81, 85, 321, 325, 492, 506
 540, 546, 807, 815, 1178, 1194

 city, to, but not to county, held not to constitute

 discrimination

 clubs, residence rate applicable to..... 81, 85, 321, 325

 employees, reduced rates to, approved..... 945, 1590

 free service held discriminatory..... 1315, 1324-1326

 hospitals, residence rate applicable to... 81, 85, 321, 325, 540, 546

 libraries, residence rate applicable to..... 492, 506

 lodges:

 reduced rates for, approved..... 1110

 residence rate applicable to..... 81, 85, 321, 325

 ministers, reduced rates to, approved..... 1110

 schools:

 reduced rates for, approved..... 1110

 residence rate applicable to..... 81, 85, 321 325, 493, 506

hotels, between, showing of discrimination impossible

 where only one subscriber in class..... 381, 388

interchange of service, free, held discriminatory.... 1315, 1324-1326

 certain exchanges, to..... 427, 432

rates, in:

 business, special individual line ordered eliminated.. 266-367, 370

 elimination ordered

 residence, increase for elimination of, authorized..... 583, 585

SUBJECT INDEX.

DISCRIMINATION — Continued :	PAGE
stockholders, in favor of:	
difference between non-stockholders' rates and stock-	
holders' assessments considered as.....	713-714
eliminated	307-308, 519-520, 599-601, 1288-1290
subscribers owning equipment, in favor of:	
authorized	1360-1362
eliminated	1288-1290
switching rates, same for one-exchange and two-exchange	
service held	1481-1482, 1484-1486, 1717-1718, 1720-1723
toll rates, in:	
increase to eliminate discrimination, authorized.....	1364, 1369
not approved	632
DIVIDENDS. See Rate of Return; Securities: stock:	
dividends.	
DONATIONS:	
Red Cross, to, excluded from operating expenses.....	700-701
DUPLICATION:	
elimination approved	1232, 1234, 1277, 1279, 1291, 1293
See also Competition; Consolidation; Public Convenience	
and Necessity; Sale of Property.	
ELECTRICAL INTERFERENCE:	
power lines and telephone lines, between:	
metallic toll line ordered installed to prevent.....	1132-1141
policy of Commission in cases of, outlined.....	1132-1133, 1138
reconstruction of telephone line:	
apportioned between companies.....	268-269
telephone company's expense, at.....	1747-1750
prevention:	
construction of power lines along highway not occu-	
pied by telephone lines for, ordered.....	92-100
method of least cost to be adopted where possible....	27
ordered	192
rules governing, prescribed.....	39-40
See also Construction of Lines; Lines.	
ELECTRIC LIGHT AND POWER COMPANIES. See Elec-	
trical Interference; Public Convenience and Necessity: cer-	
tificates: construction.	
EMERGENCIES:	
defined	1307, 1309
increase in rates because of:	
authorized	242, 738, 1035-1037, 1307, 1309
basis considered	977, 979, 983, 985
denied	977-993

SUBJECT INDEX.

EMERGENCIES — Continued:

PAGE

service during, provision for, approved.....	77, 79, 641-643, 648-649
subscriber, not company, to decide what are emergency calls	791 798
unforeseen, surplus to be held for.....	1656, 1663
valuation:	
approximately fair value sufficient where emergency increase sought	932, 937
company's, used in application for emergency increase	977, 980
detailed appraisals of property not necessary for emergency increase	983, 986-987

EMPLOYEES:

additional, employment ordered.....	1666
dismissal, ordering of, not within jurisdiction.....	1782-1783
lineman and manager, employment of both, disapproved..	845, 847
officers held to be able and faithful.....	1077-1078
operators:	
employment ordered	638
order rescinded	305
skilled operators, of.....	769-773
interference of public with, rearrangement of switch- board ordered to avoid.....	1709-1710, 1714-1716
quarters, suitable, ordered furnished.....	1710, 1714, 1716
training, proper, to be given.....	1710, 1715-1716
union, poor service because of failure to hire, condemned	769, 772-773
reduced rates to, approved.....	945, 1590
troubleman ordered employed.....	1134, 1141
See also Operating Expenses: officers; Operating Expenses: salaries.	

EXCHANGES:

discontinuance authorized	1623-1624
establishment authorized	1559-1561
See also Consolidation; Service: radius.	

EXTENSION BELLS. See Rates.

EXTENSIONS:

cost of:	
part to be paid by subscriber in cash or by purchase of stock	1166-1167
refunds of partial cost, borne by subscriber, authorized	675-676

SUBJECT INDEX.

EXTENSIONS — Continued:

	PAGE
installation of apparatus to do telephone business held not	
construction of new plant but.....	47
limitations upon making, approved.....	1110
method of charging for, prescribed.....	700-701, 703-704
obligation of company to make, discussed.....	763-764, 767
ordered made	1165-1167, 1477-1481 1556-1558
defendant ordered to make, or to show cause why	
service should not be given.....	1029-1030
responsibility for making, held to be on Postmaster	
General	1028
rural districts, into, excess mileage charge applicable	
beyond specified distance.....	1549, 1555-1556
stock issue for making, authorized.....	899, 901-902
surplus not to be used for.....	692, 695
See also Construction of Lines; Lines; Securities: issue:	
betterments; Securities: stock: sale.	

EXTENSION TELEPHONES. See Rates.

FARM LINES:

cost of maintenance, company for whom line built	
required to guarantee.....	800-804
farm line for which line built required to guarantee.....	800-804
metallie circuit system, installation on, recommended....	815-816
	824-825
party lines having more than four subscribers classed as..	1210
rates:	
business:	
approved	1015
higher than residence, approved.....	249, 488-489, 823, 826
1106, 1196-1197, 1205, 1210, 1228, 1231, 1286, 1534, 1540	
differentiation between subscribers desiring four-	
exchange and five-exchange service eliminated.....	1664-1666
excess mileage:	
charge applicable to extension beyond half mile..	1549
	1555-1556
not approved	489 491, 505
fixed	1780-1781
higher than local residence due to high maintenance	
costs	791, 796-797

SUBJECT INDEX.

FARM LINES — Continued:

PAGE

rates — continued:

increase:

authorized.....45-46, 71-72, 75-77, 79-81, 85, 88-89, 92
 159-162, 205-207, 211-212, 215, 228-235, 249, 289-293
 299, 302-304, 307-309, 328, 331-332, 366-367, 370, 372-
 374, 376, 404-405, 409, 413-415, 420-421, 423, 426, 465-
 466, 472, 485, 488-494, 505-507, 517-523, 538, 545, 550-
 551, 554-557, 563, 570-571, 573-576, 579, 602-603, 607-
 608, 610, 615-617, 622, 628-629, 641-644, 649, 651-652
 661, 664-666, 672, 675-676, 679-683, 686-691, 700-701
 704-706, 712, 721-722, 725-726, 729, 752-754, 775-777
 780-782, 792, 799, 804-805, 814-819, 823, 826-828, 835-
 839, 845, 849, 893-894, 898, 907-909, 912, 919-924, 928-
 929, 943-945, 952, 956-957, 980-992, 997-1002, 1006
 1011-1015, 1020, 1035-1037, 1039, 1041, 1044, 1047
 1089, 1092, 1106, 1111, 1118-1120, 1129-1130, 1146-
 1148, 1151-1152, 1157-1159, 1165, 1169-1172, 1194-
 1197, 1205, 1209-1218, 1227-1228, 1231, 1235-1236
 1239, 1242-1250, 1281-1282, 1286, 1288-1290, 1306-
 1307, 1360-1362, 1486-1490, 1532-1534, 1540-1542
 1548-1550, 1555, 1568-1570, 1574-1576, 1583, 1588
 1598-1600, 1603, 1643-1644, 1648, 1650-1654, 1709-
 1711, 1716, 1723-1726, 1750-1754, 1759, 1761-1764
 1769-1771

individual line service, for.....289, 291-293

denied473-476, 484, 849-850, 857, 1030-1035
 1312-1314, 1655-1656, 1661, 1663

not effective until lines made metallic..... 845, 848

silent calling, elimination authorized.....815-816, 823

toll charge for calls on, authorized.....800, 803-804

rearrangement of subscribers on rural lines denied..... 305-307

saturation of territory, high cost of service caused by
 serving relatively small number of subscribers over wide
 spread of territory.....1171, 1550-1553

subscribers of, in adjacent territory served by different
 exchanges, zones to permit free intercommunication
 suggested 1371

See also Rates: switching; Service: switching.

FEDERAL CONTROL:

contract between Postmaster General and Bell System:

considered1501-1502, 1506-1507, 1727, 1732-1733

text of § 7 of contract..... 1732-1733

extensions, responsibility for making, held to be upon
 Postmaster General 1028

SUBJECT INDEX.

FEDERAL CONTROL — Continued:

	PAGE
extent and purposes of, discussed.....	964-965, 968
formation of company to take over properties of other companies, approval denied in view of.....	1048-1052
4.41% return received by company under contract with government	1741
interests of stockholders of utilities presumed to be safeguarded under	1077-1078
intrastate commerce:	
interference by Postmaster General in purely intrastate matters not necessary following cessation of hostilities	1406, 1408, 1455-1456
rates for, power of Postmaster General to fix, discussed	1053-1055, 1406, 1408, 1455-1456
jurisdiction over rates fixed by Postmaster General claimed by Commission	1383
order as to exchange area and extension telephone rates not made because of.....	1-2, 11
probable early return of wires to private ownership, rates fixed by Commission without regard to federal control in view of	1089
Public Resolution No. 38 authorizing President to assume control of wire lines.....	971-972
rate of return allowed under, discussed.....	213, 224
rates fixed by Postmaster General:	
disapproved	878
increase approved by:	
approved	1501-1527
not acted upon by Commission since properties operated under	1464
suspended, abrogated and annulled.....	1219-1220
installation charge:	
approval:	
charges asked by company, of, pending	
decision as to reasonableness of.....	688, 691
denied	871, 877-879, 960-961
rescinded	1295-1298
authorized to become effective.....	463-464, 525-532
625-627, 774	
modification authorized	739
collection not authorized.....	210-211, 1363
complaint against company dismissed in view of.	266-267
disapproved	1295-1298, 1363
discontinuance ordered	1381-1390
filed automatically with Commission.....	378-380

SUBJECT INDEX.

FEDERAL CONTROL — Continued:

PAGE

rates fixed by Postmaster General — continued:

installation charge — continued:

illegal, held to be..... 1671-1675

ineffective, held to be..... 461-462

loss in revenue due to, discussed.....	224
--	-----

no Commission action necessary except entering

order in Commission files..... 1067

refund of, ordered by Commission....1295-1298, 1381-1390

jurisdiction over rate fixing:

discussed1053–1055, 1406, 1408

not effective 1455-1456

not yet determined.....	1078
-------------------------	------

moving charge:

approval:

charges asked by company withheld pending

decision as to reasonableness of..... 688-691

denied871, 877-878, 960-961

rescinded **1295-1298**

authorized to become effective.....463-464, 525-532

625-627, 774, 879

modification authorized 739

collection not authorized..... 210-211

complaint against those fixed by company dis-

missed in view of..... 266-267

disapproved 1295-1298

filed automatically with Commission..... 378-380

illegal, held to be..... 1671-1675

ineffective, held to be..... 461-462

jurisdiction over, claimed.....	1383
---------------------------------	------

not effective	461-462
---------------------	---------

toll rates:

action to prevent company from putting rates

into effect, ordered commenced by counsel.... 1063-1066

authority to file, denied.....1072-1076, 1172-1176

less than statutory notice, on..... 1144-1145

cancellation ordered 963-974

disapproved by Commission.....878, 1295-1298

discussed 1064-1066

fine imposed by Commission on company in-

stalling1405-1406, 1453-1455, 1699-1702

injurious to intrastate business, held to be..... 1173, 1176

jurisdiction of:

Commission, over, discussed.....963-964, 967, 970

Supreme Court, over, complaint as to..... 1173

SUBJECT INDEX.

FEDERAL CONTROL — Continued:

PAGE

rates fixed by Postmaster General — continued:	
toll rates — continued:	
modified schedule suspended.....	1332-1333
not made effective.....	1089, 1091, 1104-1105
order to show cause why toll rates effective prior to, should not be restored.....	881-882
rejected	1009-1010
standardization, for, authorized.....	969, 1055
suspended	874-875, 904-907, 930-931, 962-963 1007-1009, 1053-1058, 1079-1080, 1499-1500, 1592
company ordered to show cause why fine should not be assessed for violation of Commission's order	1081
resuspension of rates filed with approval of Postmaster General ordered pending a hearing	1142-1148
text of Order No. 2495.....	1426-1435
unification of service urged under.....	381-382, 386-388
unquestioning cooperation of Commission with Federal Government during war not necessary following cessa- tion of hostilities.....	1296
See also War Conditions.	

FINES. See Penalties.

FOREIGN ATTACHMENTS:

bridging-in of private line on toll line denied.....	1565-1567
dissimilarity of instrumentalities not conclusive evidence that physical connection detrimental.....	381-384
knife switches, rates for, approved.....	806, 815, 1178, 1194

FOREIGN CORPORATIONS:

acquisition of securities of, by domestic corporation, authorized	1577-1578, 1580-1581, 1585-1586
issue of securities by, authorized:	
acquisition of intrastate property, for.....	1376-1377
retiring outstanding bonds, for.....	1697-1698
purchase of stock of domestic corporation, authorized....	760-762 1576-1578, 1580-1581, 1586
Receivers of, authorized to accept stock of domestic corpo- ration in exchange for votes of domestic corporation..	1397-1398
sale of property to domestic corporations, authorized....	458-460
stock dividends, passing upon the issuance of, held by Supreme Court not within jurisdiction of Commission..	1377

FOREIGN LANGUAGES. See Rules and Regulations: use of
German.

SUBJECT INDEX.

FORMS:

publication of notice of change in rates, for, prescribed.. 892

4½% PAYMENT:

approved1-2, 6, 8-10, 1501-1502, 1506-1507, 1523
dissenting opinion 2, 15-17
considered 1727, 1733
discussed177-178, 181-182
See also Intercorporate Relations.

FRANCHISES:

capitalization disapproved by concurring Commissioner.. 20
rates, fixing:
disregarded 451
not binding on Commission..... 1011, 1020
sale with property:
authorized 1328-1329
not made1294, 1610-1611
See also Contracts; Indeterminate Permits.

FREE AND REDUCED RATE SERVICE. See Discrimination.

GIFTS. See Donations.

GOING VALUE:

allowance for:
business attached, for:
made894, 896, 917, 920, 927, 1227, 1230, 1246
1248, 1568, 1572, 1579, 1601
not made 1685-1687
company's estimate:
accepted 651-652
imaginary 592-593
considered 534-535
cost:
bringing property to state of efficiency, of, made. 372
375, 607-608, 610, 613
establishing business, of, not passed on.....999-1000, 1004
made1, 5, 65, 67-68, 71, 74, 88, 91, 106-107
110, 112, 114, 177, 185, 254, 366, 369
389, 392, 943-944, 948, 1018, 1281, 1284
dissenting opinion 19-20
well developed business, for.....1089, 1099, 1101
not made163-164, 170, 534-535

HEARINGS:

notice to city of, lack of, disregarded..... 427 433
See also Appeals; Rehearings; Review.

HOLDING COMPANIES. See Intercorporate Relations.

SUBJECT INDEX.

HOSPITALS. See Discrimination: free and reduced rate service.	PAGE
HOTELS:	
guests at, required to pay rates for extra directory listings.	1108
owning and operating their own telephone plants:	
physical connection with private branch exchanges in,	
ordered: rehearing denied.....	380-389
public utilities, held to be.....	381, 384-386
identity not changed by failure to observe restrictions of law.....	381, 385
rates for, approved.....	1108, 1242, 1245, 1588
sale of telephone service at a profit by, disapproved.....	132, 148
INCOME TAX. See Operating Expenses.	
INCORPORATION:	
formation of company to take over properties of other companies, approval denied.....	1048-1052
INDEMNITY:	
bonds satisfactory to trustees for bondholders to be given upon sale of part of property.....	1291, 1294-1295
INDETERMINATE PERMITS:	
operation of local exchange by village, granted for.....	1625-1626
See also Franchises.	
INDUCTION. See Electrical Interference.	
INJUNCTIONS. See Review.	
INSTALLATION CHARGE:	
approved	667, 672, 883-886, 1015, 1020, 1111, 1350-1351
desk telephones, for, additional monthly charge in lieu of,	
authorized	256-258
establishment authorized	886, 888-890
Postmaster General, fixed by:	
approval:	
denied	871, 877-879, 960-961
installation charge withheld pending decision on reasonableness of	688, 691
rescinded	1295-1298
authorized to become effective.....	463-464, 525-532
	625-627, 774
modification authorized	739
collection not interfered with, pending court action..	1363
complaint against installation charge dismissed following	266-267

SUBJECT INDEX.

INSTALLATION CHARGE — Continued:

PAGE

Postmaster General, fixed by — continued:

disapproved	1295-1298, 1363
discontinuance ordered	1381-1390
filed automatically with Commission.....	378-380
illegal, held to be.....	1671-1675
increase suspended, abrogated and annulled.....	1219-1220
ineffective, held to be.....	461-462
loss in revenue due to, discussed.....	224
no action by Commission necessary except entering in Commission files	1067
not authorized by Commission.....	210-211
refund if collected, ordered.....	1381-1390
regular, lists of subscribers entering agreements for service assuming regular charge effective, ordered furnished...	1681-1683

INTERCORPORATE RELATIONS:

acquisition of property by holding company, authorized..	1398-1400
	1403-1404
discount in financial transactions between parent and sub- sidiary corporations, Commission reluctant to permit...	1265-1266
	1270
holding of pro rata share of additional stock of second company authorized	751
supply company held independent creditor of operating company and note issue at discount permitted.....	1270
See also $4\frac{1}{2}\%$ Payment; Securities: holding; Supply Com- panies.	

INTEREST:

bonds, on, increase in rate of, authorized.....	243-244
construction, accrued during, capitalization authorized..	663, 671, 673

INTERSTATE COMMERCE:

messages: originating and terminating in same state but passing through another state held.....	124-128
physical connection held no burden upon.....	1395

INTRASTATE COMMERCE. See Federal Control.

JURISDICTION:

adjudication of disputed accounts not within...	1471-1472, 1475-1476
compensation to city, Commission without power to make it a term of authorization to construct lines.....	508-513, 858
contracts:	
rates fixed by, over, discussed.....	406-407
subscriber and utilities, between, subject to.....	1315, 1325-1326
court will not act until Commission has acted.....	149

SUBJECT INDEX.

JURISDICTION — Continued:	PAGE
dismissal of employees, ordering of, not within jurisdiction	1782-1783
extensions, over making, discussed	1028
franchise rates not binding on Commission	1011, 1020
hotel company owning and operating its telephone plant held public utility subject to	381, 384-385
installation charge fixed by Postmaster General: no action by Commission necessary except entering in Commission files	1067
intrastate rates, regulation of, held within	1053-1055 1057, 1423-1453
leases, termination within	317
messages originating and terminating in same state but passing through another state not within	124-125
mutual companies not within	459
ordering of telegraph company to cease doing telephone business without certificate of exigency held not within: decision of Supreme Court affirmed upon rehearing....	47
further hearing denied	555
physical connection, over:	
dismissal of suit by court until Commission exercises. .	149
exchanges of same company, ordering of connection between, within	1395
Postmaster General, of, over intrastate rates not yet determined	1078
prevention of subscribers changing from one company to its competitor not within	1116-1117
purchase of property by Receivers, approval within jurisdiction of court	1276, 1278
railway companies, over, wider than over telephone companies	1783
rate fixing within	482
rates fixed by Postmaster General, over:	
not conceded pending court decision	1383
toll rates, power over, discussed	963-964, 967-970
regulation and enforcement of rates and rules within, despite orders of Postmaster General	878
Supreme Court, of:	
stock dividends, passing on issuance by foreign corporation, held not within jurisdiction	1377
toll rates fixed by Postmaster General, over complaints as to, taken by	1173
telephone and telegraph companies, over, discussed	1415-1423
See also Police Power; Regulation.	

SUBJECT INDEX.

KNIFE SWITCHES. See Foreign Attachments. PAGE

LEASES:

approved	317
consolidation, pending, authorized	311-312
disapproved where proposed rental excessive	740-745
plan for, not objectionable if rentals not excessive	745
renting of part of office building to tenants, authorized ..	943-944, 951
termination, right of Commission as to, reserved in author- izing	317

See also Consolidation; Rentals; Sale of Property.

LIBRARIES. See Discrimination: free and reduced rate service.

LINEMEN. See Employees.

LINES:

common battery system:	
installation not ordered	194-195, 200-201
rate increase following installation of, authorized	1306-1307 1561-1564
defined	25
metallic circuit system:	
installation:	
farm lines, on, recommended	815-816, 824-825
ordered	1132-1141, 1784-1785
rates:	
effective as soon as 50% of lines metallic	816, 825
fixed	1351-1352
higher than for grounded circuit service	1284
increase following installation of, approved	827-828 1784-1785
not effective on farm lines until installed ...	845, 848
optional grounded circuit or, on farm lines, authorized	815-816, 825-826
parallel:	
avoidance when possible	28
defined	25
existing, rules governing, prescribed	27
transpositions within, rules governing, prescribed ...	32-33
stub, purchase from subscribers ordered	1152, 1156
toll:	
bridging-in of private line on, denied	1565-1567
construction of clear, ordered	1351, 1353-1354
disconnection of subscribers from, ordered	1133, 1139
metallic circuits ordered substituted for grounded circuit system	1132-1141

SUBJECT INDEX.

LINES — Continued:

PAGE

toll — continued:

- reconstruction of, to avoid interference with power lines, ordered 1132-1141
- routing over rural line forbidden..... 1717-1723
- sale authorized 1291-1295

See also Construction of Lines; Electrical Interference; Extensions; Farm Lines; Physical Connection; Repairs; Sale of Property.

LODGES. See Discrimination: free and reduced rate service.

MAINTENANCE:

allowance for:

- 11% for reserve for depreciation and, not approved.. 932, 939
- 9% for reserve for depreciation and, made..... 207, 209, 211-213
220-222, 236, 240-241, 679, 682, 688, 690-691
730, 733, 737, 1030, 1034

16% disapproved 679-680

- 10% for reserve for depreciation and, made..... 682, 685-686
695-696, 698-699, 1363-1365, 1368-1369, 1372, 1643-1644
1646, 1649-1650, 1652-1653, 1655-1656, 1660-1661, 1663

10% to 15% to be made for reserve for..... 725-726, 729

- 12% for reserve for depreciation and, made..... 700, 701
704-705, 709-710, 712

2% made 932-933, 940-941

amount available for, not excessive..... 827-828

charging of items to, instead of to reserve for depreciation.

discussed 473-474, 478-479

cost:

- company for whom rural line built required to guarantee 800-804

no allowance made for possible increase in..... 679, 681

distinction between depreciation and, discussed..... 389, 399-400

dividends ordered suspended until proper provision made

for 695-697, 699, 713, 716-718, 721, 724

stub lines, of, by company ordered..... 1152, 1156

switchboard, of, ordered paid by connecting companies,

in proportion to number of subscribers..... 833-834

See also Operating Expenses; Repairs.

MANAGEMENT:

distinction between regulation and, made..... 1782-1783

efficient, making high rate of return possible, discussed... 1124-1125

METALLIC CIRCUIT SYSTEM. See Lines.

MINIMUM CHARGE. See Rates: switching: minimum.

MINISTERS. See Discrimination: free and reduced rate service.

SUBJECT INDEX.

MORTGAGES:	PAGE
assumption of, by purchasing company, authorized.....	564-566
execution authorized	365, 1390-1393, 1577, 1586
second mortgage, of.....	334, 341
See also Deeds of Trust; Securities: bonds.	
MUNICIPAL CORPORATIONS:	
compensation by company for use of streets, Commission without power to make it a term of authorization to construct lines	508-513, 858
indeterminate permit for operation of exchange granted to village	1625-1626
See also Contracts: municipal corporations; Discrimina- tion: free and reduced rate service: city; Franchises.	
MUTUAL COMPANIES:	
certificate of exigency necessary for operation by public utility in territory of.....	53, 56
jurisdiction, not within.....	459
See also Public Utilities.	
NON-PAYMENT. See Penalties; Service: discontinuance: non-payment; Service: restoration.	
NON-SUBSCRIBERS. See Rates.	
NOTES. See Securities.	
OFFICES:	
central, change in location ordered.....	42, 44
OPERATING EXPENSES:	
apportionment:	
basis for, discussed.....	270, 284-286, 1183, 1187
different classes of service, between, made.....	269-270, 280-287
1088, 1090-1091, 1102-1104, 1176-1177, 1183-1190	
switching service, to, made.....	1757-1758
automobiles, ownership and operation by company instead of by private parties recommended.....	1714
collection expenses, allowances for, reduced.....	932-933, 940
donation to Red Cross eliminated from.....	700-701
income tax eliminated from.....	943-944, 950
increase in cost of labor and materials considered....	129, 131, 177, 184
194-195, 201-202, 211-212, 215-216, 247-248, 251- 252, 258, 260-261, 372, 375, 412-414, 435-436, 438- 439, 473-474, 481, 490, 501, 583-585, 602, 613, 615 675, 728, 732, 777, 859, 863, 956, 1035-1036, 1090 1177, 1182, 1192, 1195, 1201-1202, 1204, 1214, 1282- 1283, 1285, 1299-1300, 1308-1309, 1364, 1366-1367 1489, 1496-1497, 1502, 1515, 1519, 1522, 1532, 1537- 1538, 1549, 1554, 1712-1713, 1724, 1741, 1764 1766-1769	

SUBJECT INDEX.

OPERATING EXPENSES — Continued:	PAGE
increase in cost of labor and materials considered — continued:	
allegation of, must be supported by evidence.....	473, 481
allowance for further increase not made after cessa-	
tion of fighting.....	646
insurance, allowance for:	
liability insurance, made.....	950
life insurance premium of manager excluded from...	489-490
	500-501
officers, private expenses not to be charged to.....	422
salaries:	
linemen, of, apportionment to various kinds of duties	
ordered	692, 694-696, 698-699, 701, 703
managers, for, fixed.....	591-592, 597
method of charging, prescribed.....	700-701, 703-704
officers, of:	
ordered reduced	489-490, 500-501, 943-944, 950
stock issue in lieu of, authorized.....	1636-1642
operators', of, allowance for, approved.....	932-933, 940
saturation of territory low, cost of operation high....	1171, 1550-1553
service under government operation not to be supported	
by taxation	1501, 1503, 1527
specified items excluded from.....	465, 468
transmission power expenditure held too high.....	932-933, 940
war savings stamps, item for, considered investment, not.	692-693
See also Accounts; Debts; Employees; Maintenance;	
Repairs; Service: cost.	
OPERATORS. See Employees.	
OVERCHARGES:	
complaint as to, dismissed.....	747-748
PARTY LINES. See Rates; Service.	
PAY STATIONS:	
establishment authorized	245, 249
rates for:	
approved	929, 1107, 1111, 1589
fixed	700, 704, 801
PENALTIES:	
assessment, order to show cause why fines should not be	
assessed	1081
breach of rules and regulations, for, ordered discontinued.	519-520
charging rates not approved by Commission, for, utilities	
liable to	878

SUBJECT INDEX.

PENALTIES — Continued:

PAGE

failure to maintain physical connection, for, suspended	
pending re-establishment of connection.....	1704-1705
failure to make payment promptly, for:	
approved	288-289, 493-494, 507, 591-593, 597-598 648-650, 1532-1534, 1540
disapproved	1654
installing toll rates fixed by Postmaster General despite	
Commission's order, for, imposed.....	1405-1406, 1453-1455 1460-1462, 1699-1702
violation of Commission's orders, for, called to attention	
of utilities	1298
See also Advance Payment; Discount; Prompt Payment:	
failure to make: penalties; Service: discontinuance.	

PHYSICAL CONNECTION:

additional protective charge, approved.....	342-348
companies about to be consolidated, between, ordered....	1577, 1585
continuous line of communication, to form, ordered.....	1786-1787
defined	386
direct, denied where indirect exists.....	1787-1789
exchanges of same company, between, ordering of, within	
jurisdiction	1395
formerly competing companies, between exchanges of,	
ordered	1394-1396
free interchange of service, for, authorized.....	580-582
hotel private branch exchange, with, ordered: rehearing	
denied	380-389
interstate commerce, connection held no burden upon....	1395
jurisdiction over, dismissal of suit by court until Com-	
mission exercises	149
local service, for, ordered.....	1786-1787
rehearing of decision affirming order, denied.....	403
re-establishment ordered	238-240, 1702-1705
reasonable time for, fixed.....	238-240
rural and exchange companies, between.....	1465-1470
terms fixed	1301-1302
toll service, for:	
authorized	342
bridging-in of private line on toll line denied.....	1565-1567
continuance ordered	1623-1624
ordered	1301-1303, 1608-1613, 1702-1705
rehearing of decision affirming order, denied....	403
restricted to	342-343, 348
See also Contracts: connecting agreements; Service:	
interchange.	

SUBJECT INDEX.

POLICE POWER:

PAGE

- contracts between subscribers and utility subject to...1315, 1325-1326
- regulation of intrastate rates:
 - lawful exercise of, held to be.....1053-1055, 1057
 - power reserved by Congressional resolution to states,
 - discussed 1446-1450
 - supervision of rates of public utilities held exercise of.... 963, 968
- See also Jurisdiction.

POLICING. See Service.

PRIVATE BRANCH EXCHANGES:

- directory listings, each P. B. X. entitled to but one..... 1107-1108
- hotels, in:
 - importance of telephone service discussed..... 142-143
 - physical connection of telephone company with,
 - ordered: rehearing denied..... 380-389
 - rules governing furnishing of service through,
 - discussed133, 138, 142
- rates for:
 - approved321, 325, 493, 507, 539-540, 1107-1108
1242-1243, 1245, 1588
 - increase authorized194-195, 201-203, 249, 435-437, 441
921, 923-924, 928-929
- service from, restricted to one firm or person..... 1107-1108

PROFIT AND LOSS. See Accounts.

PROMPT PAYMENT:

- discount for:
 - authorized71-72, 75, 77, 79, 81, 85, 89, 92, 123-124
155-157, 210-211, 271, 288, 299, 302-304, 319-320
322, 326, 367, 370, 376-377, 485, 488, 520, 557
563, 570, 573, 599, 601, 617, 667, 672, 678, 688
691, 730, 736, 749-750, 775-776, 781-786, 788
790-791, 797, 799, 827-828, 893-894, 897-898
908-909, 912, 932-933, 942-945, 952, 1015, 1020
1035-1037, 1039, 1148-1152, 1157-1158, 1165
1197, 1205, 1210-1212, 1215-1216, 1218, 1236
1239, 1243, 1245-1246, 1249, 1281, 1286, 1306-
1307, 1351-1352, 1354, 1488-1490, 1493, 1495
1498, 1532-1534, 1540-1542, 1548, 1556, 1569-
1570, 1574-1575, 1597-1600, 1603, 1643-1644
1649-1650, 1654-1655, 1663-1666, 1709-1711
1716, 1753-1754, 1759, 1772, 1775, 1779-1780
 - equal to rate increase.....210-211, 913-916, 1486-1488

SUBJECT INDEX.

PROMPT PAYMENT — Continued:

PAGE

discount for — continued:	
billing with different discount periods for different	
exchanges in same city, authorized.....	418-419
rule governing, to be printed on bills.....	791, 798
failure to make, penalties for:	
approved	288-289, 493-494, 507, 591-593, 597-598
	648-650, 1532-1534, 1540
disapproved	1654
requirement:	
approved	598
complaint against, dismissed.....	446-447
rule for, filing of, authorized.....	1118-1119, 1130
See also Advance Payment; Deposits; Service: discontinuance: non-payment.	

PUBLIC CONVENIENCE AND NECESSITY:

certificates of:	
construction of power line along another highway	
than that occupied by telephone lines, for,	
authorized	92-100
exercise by town of rights to construct and operate	
telephone system, authorized.....	1559-1561
failure to obtain does not change identity as public	
utility	381, 385
granted:	
operation in territory served by mutual company	53, 56
purchaser of property to.....	47-48, 51, 311-313, 359-360
	362, 364, 899, 901-902
invasion of occupied territory, for:	
denied	1076
granted in view of local conditions.....	588-590
selling company must procure certificate prior	
to	1609, 1612-1613
necessary for operation of telephone business by tele-	
graph company, Commission held to be without	
authority to order: decision of Supreme Court	
affirmed upon rehearing.....	47
further rehearing denied.....	555
new plant, installation of necessary apparatus held	
extension, not construction of.....	47
right to do telegraph business held to embrace right to	
do telephone business without separate.....	47
See also Indeterminate Permits: operation.	

SUBJECT INDEX.

PUBLIC NEWS SERVICE.	See Rates.	PAGE
PUBLIC TELEPHONES.	See Pay Stations.	
PUBLIC UTILITIES:		
hotels owning and operating their own telephone plants		
held to be.....		381, 384-386
See also Mutual Companies; Words and Phrases.		
RAILWAY COMPANIES:		
crossings over tracks of, ordered eliminated.....		1068
stations, installation of telephones in:		
approved		580-581
ordered		1634-1635
See also Jurisdiction: railway.		
RATE OF RETURN:		
allowance for:		
agreement as to, in government contract, considered..		1502, 1518
\$8.00 per telephone fixed for reserve for depreciation		
and		827
8% :		
estimated		299, 302
legal rate		2, 10
made		269, 274, 692-694, 700-701, 703-706, 708
		710, 712, 863, 1030, 1032, 1176, 1182, 1194-1195
		1643-1644, 1646, 1649-1650, 1652-1653, 1655
		1658, 1661, 1752-1753, 1756, 1761-1762
approximately		815-816, 823, 1158, 1164
not unreasonable		725-727
rates yielding, not approved.....		1604
8.1%, rates yielding, not justified.....		1568, 1573
8.3% excessive		651, 657
8.4% not justified.....		327, 331
11% for reserve for depreciation and, not excessive..		1169, 1171
excessive in past, no allowance made for several years		1032, 1034
federal control, under, discussed.....		213, 224
15% for reserve for depreciation and:		
approximately, made		801, 845, 848
made		289, 291, 1211, 1214
taxes and, for:		
inadequate		1156
made		804-805, 809
5% made		893, 898
5.1%, rates yielding, approved.....		1247, 1249

SUBJECT INDEX.

RATE OF RETURN — Continued:

PAGE

allowance for — continued:

5.3% made	319-320, 325
5.4% made	553
5.7%, rates yielding, approved.....	907-908, 911
5.8% made	327, 331, 544
5.9% made	1604
4% :	
made	1308, 1311
not excessive	249
4.1% :	
inadequate	583, 585
rate increase to yield, authorized.....	60
4.41% received under contract with government.....	1741
4.7% made	575, 579
14% for reserve for depreciation and, made.....	835-836, 1011
1019, 1147, 1176, 1182, 1545-1547, 1750-1751	
1763-1764, 1768-1769, 1771	
approximately	829, 832
made	488
9% :	
made	489-490, 502, 505
not justified	553
9.4% reserve for depreciation and, for, increase in	
rates yielding only, approved.....	1541, 1546
not as high as ordinary during war times, doctrine	
upheld	1502, 1524-1525
period of years, over, considered.....	1502, 1513-1514
property bought out of earnings, on, considered....	473-474, 482
7% :	
adequate, assumed to be.....	474, 479-480
approved in normal times.....	583, 585
limited to	721, 724, 1360, 1362
made.....	187, 190-191, 194, 201, 209
240-241, 404, 408, 435-436, 440, 465, 470, 634	
636, 641-642, 648, 679, 682-683, 686, 783-784	
786, 788, 989-990, 996, 1118-1119, 1129, 1281	
1285, 1489, 1622, 1709-1711, 1713	
not excessive	775, 779
rates yielding a little less than, approved.....	599-600
reasonable	211, 213, 222, 236, 1041-1042
most cases, in.....	1654
nominal conditions, under.....	608, 614

SUBJECT INDEX.

RATE OF RETURN — Continued:

PAGE

allowance for — continued:

7.1% estimated	849, 856
7.4% :	
disapproved	574-575, 578
made	177, 186-187, 443
rates yielding, not approved.....	1598-1599, 1602
7.5% made	163, 174
7.98%, increase in rates yielding, denied.....	977, 982
17.2%, rates yielding, not approved.....	1604
6% :	
larger return than, proper.....	982
made	108, 372, 375-376, 389, 401, 583-586 607-608, 614, 943-944, 951
proper provision made for depreciation, until	688, 690-691
reserve for depreciation and, inadequate.....	160
stockholders receiving, held not to have suffered great loss	1090, 1101-1102
6.07% sufficient	932, 941
6.1% made	1604
6.3% approved	1604
6.4% fixed	61, 64, 1599, 1602
6.5% approved	1604
6.7%, increase in rates yielding, denied.....	390, 401
6.8% made	651, 661, 1569, 1573
6.20% not unreasonable.....	1524
10.2% :	
rates yielding, not approved.....	1604
reserve for depreciation and, for, insufficient....	847
13% for reserve for depreciation and, made.....	663-664, 669
13½% for reserve for depreciation and, not excessive.	1315, 1325
13.6% made for reserve for depreciation and.....	999, 1004
13.7% higher than usually allowed.....	1123
3.55%, rates yielding, approved.....	1238
3.9%, rates yielding, approved.....	1227, 1230
12% disapproved	695-697
valuation approved about two years previous, on, return limited to.....	679

SUBJECT INDEX.

RATE OF RETURN — Continued :

PAGE

dividends:

deferred:

- capitalization of, when used for construction purposes permissible 1656, 1662
- plan for paying, discussed..... 1656, 1662
- difference between non-stockholders' rates and stockholders' assessments treated as..... 713-714
- 8%, limited to.....695-699, 713-715, 717-718, 725-730, 733, 737
1636-1637, 1641, 1643, 1649, 1655-1656, 1659-1660, 1663
- excessive in past, payment forbidden until proper reserve for depreciation provided.....695-697, 699, 713
716-718, 721, 724
- none to accrue to applicant for period of years..... 1034
- 7%, limited to.....1041, 1043-1044, 1046
- 6%, limited to..... 1365, 1372
- suspension until proper provision made for maintenance, ordered.....695-697, 699, 713, 716-718, 721, 724
- fair, discussed1-2, 10, 185
- net income from reasonable rates invested in plant instead of taken as dividends, from, justifiable..... 1655, 1657
- plant built out of operating revenues, on, not permitted.. 725, 728
- unusually high in past:
 - company giving good service at reasonable rates not criticized for1119, 1123-1125
 - possible reasons for company being able to pay, discussed1119, 1123-1125

See also Securities: stock: dividends.

RATES:

- adjustophone, for, approved.....806, 815, 1178, 1194
- automophones, for, approved.....816-817, 823, 826, 1600, 1603
- auxiliary receivers, for, approved.....493, 506, 1178, 1194
- business:
 - applicable to business conducted in residence....1015, 1020, 1111
 - approved 1559-1561
 - farm line, on:
 - authorized328, 331-332, 1015
 - higher than residence, approved.....249, 488-489, 823, 826
1106, 1196-1197, 1205, 1210, 1228
1231, 1286, 1534, 1540
 - four-party, not authorized..... 1215

SUBJECT INDEX.

RATES — Continued:

PAGE

business — continued:

increase:

authorized.....61-62, 64-66, 68, 71-72, 75-77, 79-81, 85
 88-89, 92, 117-120, 155-162, 177-178, 194-195, 201-
 203, 205-209, 211-212, 215, 228-235, 240-242, 245-
 249, 251-252, 256, 258-260, 262-264, 269-271, 288
 299, 302-304, 319-321, 325, 328, 331-332, 372-374
 376, 412-415, 420-421, 423-426, 435-437, 441-444
 447-449, 465-466, 472-476, 484-485, 488-494, 505-
 507, 547, 549-551, 554-557, 563, 570-571, 574-576
 579, 583-586, 607-608, 610, 615-617, 622, 634-635
 638, 651-652, 661, 664-666, 672, 679-683, 686-694
 700-701, 704-706, 712, 721-722, 725-726, 729-731
 734-736, 752-754, 763-764, 768, 775-777, 780-782
 792, 799, 804-805, 814-819, 823, 826, 839-840, 844-
 845, 849, 886-890, 893-894, 898, 907-909, 912, 919-
 924, 928-929, 943-945, 952, 956-957, 975-976, 989-
 992, 997-1002, 1006, 1011-1015, 1020, 1035-1037
 1039, 1041, 1044-1047, 1083, 1088-1089, 1092, 1106
 1111, 1118-1120, 1129-1130, 1148, 1151-1152, 1157
 1169-1172, 1176-1178, 1193-1197, 1205, 1209-1218
 1221-1224, 1227-1228, 1231, 1235-1236, 1239, 1242-
 1250, 1281-1282, 1286, 1299-1300, 1306-1312, 1357-
 1358, 1360-1365, 1371, 1488-1490, 1493-1495, 1532-
 1534, 1541-1542, 1548-1550, 1555-1556, 1561-1564
 1568-1570, 1574-1576, 1583, 1588, 1593-1596, 1598-
 1600, 1603, 1621-1622, 1631-1634, 1643-1644, 1648
 1650-1656, 1663, 1709-1711, 1716, 1723-1728, 1731
 1744-1746, 1752-1754, 1759, 1763-1764, 1769

farm line, on..... 688-691

not as great as sought.....641-644, 649

denied.....591-592, 598, 721-722, 725, 791-792, 796
 799, 932-935, 941, 977-978, 983-984, 988

1030-1035, 1312-1314

joint use of instrument by two parties, for, establish-
 ment authorized 676-677

line leased by one business corporation and extending
 beyond village limits approved.....1195-1196, 1205-1210

metallic circuit system, for, fixed..... 1351-1352

special individual line rate, ordered adjusted.....366-367, 370

buzzers, for, approved...551, 554, 570-571, 573, 806, 815, 1178, 1194

cam lever or knife switches, for, approved..... 1178, 1194

SUBJECT INDEX.

RATES — Continued:

PAGE

cancellation:

increased rates, of, at request of company permitted..	1280-1281
switching charges, of, authorized.....	639
toll rates prescribed by Postmaster General, of, ordered	963-974

classification:

additional classes:

approved	437, 441
necessary to prevent discrimination.....	1083, 1087-1088
different classes of service, for, made.....	205-207, 763-764 767-768, 1045-1046, 1148-1151, 1246 1304-1305, 1541-1542, 1547-1548

differentials held not equitable.....	815-816, 823
---------------------------------------	--------------

elimination of limited service because of difficulty

in policing calls, authorized.....	1664-1666
exchange and farm line, into, ordered.....	1779
farm lines, of, discrimination in, ordered eliminated..	663-664 669-670

four-party business and eight-party residence excluded

from	1103
------------	------

individual line and party line, into:

authorized	58, 1304-1305
reasonable	1713
rural, business and residence, into, made.....	1246-1249 1541-1542, 1547-1548

two-party:

residence, establishment authorized.....	177-179
unnecessary, considered to be.....	157-158

collection:

liability for collection of switching and toll charges upon connecting farm line.....	1465, 1468-1470
rules governing collection of switching charges, pre- scribed	1753, 1755, 1760

combination business and residence:

approved	705, 711-712
disapproved	1753, 1759
higher for service on two circuits than on one, denied.	705-706, 710
ordered eliminated	107-108, 999-1000, 1002-1003
permitted	119-120, 124
common battery system, increase authorized following installation of	1306-1307, 1561-1564

SUBJECT INDEX.

RATES — Continued:

PAGE

comparison between localities:

made447-448, 482, 1727-1728, 1743-1744
not necessarily conclusive.....194, 201-202, 1119, 1124

competitive:

reduction to meet competition authorized..... 720-721
toll rates equal to competitor's, authorized..... 342
complaint as to, dismissed..... 1-11, 23
petition for writ of certiorari filed..... 872

consolidation, following:

application of rates of purchaser, higher than those
" of company purchased, approved..... 533-534
fixed 1692-1694
making of duplicate charges where services of two
exchanges not given, forbidden..... 1394, 1396
not to be increased.....623-624, 1232, 1235, 1277, 1279
permitted to become effective: order modified..... 1074-1076
unchanged, to be.....1232, 1235, 1277, 1279

contracts, fixed by:

jurisdiction over, discussed..... 406-407

rate increase:

authorized 404-406
subject to terms of.....514-515, 517-518
superseded by schedule rates..... 1746

delivery charge:

incoming toll charges, on, disapproved..... 687-688
messenger fee where non-subscriber called, approved. 77, 79

desk telephones:

additional charge for:

approved.....66, 68, 77, 79, 88-89, 92, 160, 162, 252
256, 271, 288, 319-321, 325, 376, 413-414, 435-437
441, 551, 554, 570-571, 573, 699-700, 706, 712, 777
780, 782, 1013, 1020, 1030-1031, 1106, 1108, 1118
1130, 1236, 1239, 1299-1300, 1493, 1534, 1540, 1647
1649, 1727
farm lines, on.....1177, 1193-1195, 1205, 1209
residence service, for.....665-666, 672, 1177
1193-1195, 1205, 1209
denied for business service.....1177, 1193-1195, 1205, 1209
monthly, in lieu of installation charge, authorized 256-258
increase authorized269-271, 288, 706, 712
different, for different sized exchanges, authorized..... 1158, 1164

SUBJECT INDEX.

RATES — Continued:

	PAGE
directory listings, for extra, approved.....	248, 321, 325, 493
540-541, 546, 551, 554, 557, 563, 570-571, 573, 909, 912, 922	
924, 929, 1110, 1236, 1239, 1600, 1603, 1694	
hotel guests required to pay.....	1108
equipoise, for, authorized.....	806, 815, 1178, 1194
extension bells, for:	
approved	271, 288, 493, 506, 551, 554, 665-666, 672
1118, 1130, 1236, 1239, 1349	
reduction ordered.....	485, 489
extension telephones, for:	
additional charge for, approved.....	1647, 1649
approved	271, 288, 376, 551, 554, 1118, 1130, 1177-1178
1193, 1349, 1357-1358	
business:	
higher than residence, authorized.....	248, 251-252, 256
414, 492, 505, 538, 546, 557, 563, 665-666, 672, 814	
920, 923, 928, 1106, 1193, 1196-1197, 1205-1210, 1236	
1239, 1242, 1245, 1299-1300, 1694	
increase authorized	749-750
disapproved	22-23
increase authorized.....	121, 123-124, 664-666, 672, 706, 712
749-750, 775-776, 780, 782, 999-1002, 1006	
reduction:	
authorized	81, 85
recommended	1-2, 11, 22-23
farm line:	
business:	
approved	328, 331-332, 1015
higher than residence, authorized....	249, 488-489, 823, 826.
1106, 1196-1197, 1205, 1210	
1228, 1231, 1286, 1534, 1540	
classification, differentiation between subscribers desir-	
ing four-exchange and five-exchange service	
eliminated	1664-1666
excess mileage:	
charge applicable to extension beyond half mile.	1549
1555-1556	
not approved	489, 491, 505
fixed	1780-1781
higher than local residence due to high maintenance	
costs	791, 796-797

SUBJECT INDEX.

RATES — Continued:

PAGE

farm line — continued:

increase:

authorized.....45-46, 71-72, 75-77, 79-81, 85, 88-89
 92, 159-162, 205-207, 211-212, 215, 228-235, 249
 289-293, 299, 302-304, 307-309, 328, 331-332, 366-
 367, 370, 372-374, 376, 404-405, 409, 413-415, 420-
 421, 423, 426, 465-466, 472, 485, 488-494, 505-507
 517-523, 538, 545, 550-551, 554-557, 563, 570-571
 573-576, 579, 602-603, 607-608, 610, 615-617, 622
 628-629, 641-644, 649, 651-652, 661, 664, 666, 672
 675-676, 679-683, 686-691, 700-701, 704-706, 712
 721-722, 725-726, 729, 752-754, 775-777, 780-792
 799, 804-805, 814-819, 823, 826-828, 835-839, 845
 849, 893-894, 898, 907-909, 912, 919-924, 928-929
 943-945, 952, 956-957, 989-992, 997-1002, 1006
 1011-1015, 1020, 1035-1037, 1039, 1041, 1044-1047
 1089, 1092, 1106, 1111, 1118-1120, 1129-1130, 1146-
 1148, 1151-1152, 1157-1159, 1165, 1169-1172, 1194-
 1197, 1205, 1209-1218, 1227-1228, 1231, 1235-1236
 1239, 1242-1250, 1281-1282, 1286, 1288-1290, 1306-
 1307, 1360-1362, 1486-1490, 1532-1534, 1540-1542
 1548-1550, 1555, 1568-1570, 1574-1576, 1583, 1588
 1598-1600, 1603, 1643-1644, 1648, 1650-1654, 1709-
 1711, 1716, 1723-1726, 1750-1754, 1759, 1761-1764
 1769-1771

individual line service, for.....289, 291-293

denied473-476, 484, 849-850, 857, 1030-1035
 1312-1314, 1655-1656, 1661, 1663

not effective until lines made metallic..... 845, 848

silent calling, elimination authorized.....815-816, 823

toll charge for calls on, authorized.....800, 803-804

filing:

extension of time granted for..... 86-87

Postmaster General's authority, filed with:

authority to file toll rates, denied.....1072-1076, 1172-1176

not effective 461-462

flat: order suspending pending a rehearing..... 1142-1143

in lieu of measured rates for switching, approved.... 307-309

optional message or, authorized..... 245

interexchange service, for..... 1351-1354

switching service, for, restoration denied..... 1336-1346

toll service, for, restoration denied..... 1336-1346

foreign exchanges, for service with, approved..... 817, 826

franchises fixing:

disregarded 451

not binding on Commission..... 1011, 1020

SUBJECT INDEX.

RATES — Continued:

PAGE

grounded circuit system, for, optional metallic circuit system or, approved.....	815-816, 825-826
harmonic ringing service, for, approved.....	816-817, 823, 826
horizontal increase, application for, dismissed.....	1240-1242
hotel private branch exchanges, for, approved..	1108, 1242, 1245, 1588
increase:	
all classes of service, for:	
authorized	1597-1598, 1684-1685
denied	1077-1079
petition for rehearing, dismissed.....	404
approval of Commission necessary for.....	769, 772, 1273-1276
burden of proof as to need for:	
applicant, upon	984-985
ordered furnished	978, 982
business:	
authorized.....	61-62, 64-66, 68, 71-72, 75-77, 79-81
85, 88-89, 92, 117-120, 124, 155-162, 177-178, 194-	
195, 201-203, 205-209, 211-212, 215, 228-235, 240-	
242, 245-249, 251-252, 256, 258-260, 262-264, 269-	
271, 288, 299, 302-304, 319-321, 325, 328, 331-332	
372-374, 376, 412-415, 420-421, 423-426, 435-437	
441-444, 447-449, 465-466, 472-476, 484-485, 488-	
494, 505-507, 547, 549-551, 554-557, 563, 570-571	
574-576, 579, 583-586, 607-608, 610, 615-617, 622	
634-635, 638, 651-652, 661, 664-666, 672, 679-683	
686-688, 692-694, 700-701, 704-706, 712, 721-722	
725-726, 729-731, 734-736, 752-754, 763-764, 768	
775-777, 780-782, 792, 799, 804-805, 814-819, 823	
826, 839-840, 844-845, 849, 886-890, 893-894, 898	
907-909, 912, 919-924, 928-929, 943-945, 952, 956-	
957, 975-976, 980-992, 997-1002, 1006, 1011-1015	
1020, 1035-1037, 1039, 1041, 1044-1047, 1083, 1088-	
1089, 1092, 1106, 1111, 1118-1120, 1129-1130, 1148	
1151-1152, 1157, 1169-1172, 1176-1178, 1193-1197	
1205, 1209-1218, 1221-1224, 1227-1228, 1231, 1235-	
1236, 1239, 1242-1250, 1281-1282, 1286, 1299-1300	
1306-1312, 1357-1358, 1360-1365, 1371, 1448-1490	
1493-1495, 1532-1534, 1541-1542, 1548-1550, 1555-	
1556, 1561-1564, 1568-1570, 1574-1576, 1583, 1588	
1593-1596, 1598-1600, 1603, 1621-1622, 1631-1634	
1643-1644, 1648, 1650-1656, 1663, 1709-1711, 1716	
1723-1728, 1731, 1744-1746, 1752-1754, 1759, 1763-	
1764, 1769	
farm lines, on.....	688-691
not as great as sought.....	641-644, 649

SUBJECT INDEX.

RATES — Continued:

PAGE

increase — continued:

business — continued:

denied	591-592, 598, 721-722, 725, 791-792 796, 799, 932-935, 941, 977-978, 983-984 988, 1030-1035, 1312-1314
cancellation at request of company permitted	1280-1281
common battery system, following installation of, authorized	1306-1307, 1561-1564
continuous service, following, authorized	89, 92, 1299-1300
desk telephones, for, approved	269-271, 288, 706, 712
effective date postponed because of failure to remedy service	427-435
equal to discount for prompt payment, authorized ...	210-211 913-916, 1039, 1242, 1244-1245, 1486-1488 1597-1598, 1650-1654
extension telephones, for, authorized	121, 123-124, 664-666 672, 706, 712, 749-750, 775-776, 780, 782, 999-1002, 1006
business, for	749-750
farm line: authorized	45-46, 71-72, 75-77, 79-81, 85, 88-89, 92 159-162, 205-207, 211-212, 215, 228-235, 249, 289- 293, 299, 302-304, 307-309, 328, 331-332, 366-367 370, 372-374, 376, 404-405, 409, 413-415, 420-421 423, 426, 465-466, 472, 485, 488-494, 505-507, 517- 523, 538, 545, 550-551, 554-557, 563, 570-571, 573- 576, 579, 602-603, 607-608, 610, 615-617, 622, 628- 629, 641-644, 649, 651-652, 661, 664, 666, 672, 675- 676, 679-683, 686-691, 700-701, 704-706, 712, 721- 722, 725-726, 729, 752-754, 775-777, 780-792, 799 804-805, 814-819, 823, 826-828, 835-839, 845, 849 893-894, 898, 907-909, 912, 919-924, 928-929, 943- 945, 952, 956-957, 989-992, 997-1002, 1006, 1011- 1015, 1020, 1035-1037, 1039, 1041, 1044-1047, 1089 1092, 1106, 1111, 1118-1120, 1129-1130, 1146-1148 1151-1152, 1157-1159, 1165, 1169-1172, 1194-1197 1205, 1209-1218, 1227-1228, 1231, 1235-1236, 1239 1242-1250, 1281-1282, 1286, 1288-1290, 1306-1307 1360-1362, 1486-1490, 1532-1534, 1540-1542, 1548- 1550, 1555, 1568-1570, 1574-1576, 1583, 1588, 1598- 1600, 1603, 1643-1644, 1648, 1650-1654, 1709-1711 1716, 1723-1726, 1750-1754, 1759, 1761-1764, 1769- 1771
individual line service, for	289, 291-293
not as great as sought	641-644, 649

SUBJECT INDEX.

RATES — Continued:	PAGE
increase — continued:	
farm line — continued:	
denied	473-476, 484, 849-850, 857, 1030-1035 1312-1314, 1655-1656, 1661, 1663
not effective until lines made metallic.....	845, 848
horizontal, application for:	
authorized	913, 916
dismissed	1240-1242
improvement in service, following, justifiable.....	1132-1133 1139-1140
individual line service, for, authorized.....	57-61, 602-603
intercommunicating trunks, for, authorized.....	435-437, 441
metallic circuit system, following installation of,	
authorized	827-828, 845, 848, 1784-1785
municipal contract, subject to.....	514-515
net rates, in, denied.....	1650-1654
no action taken by Commission upon, while properties	
operated by Federal Government.....	1464
one year, for, authorized.....	187-188, 192-195, 203, 420-421 426, 435, 440-441, 444-445, 650, 662, 673, 845, 953 975-976, 998-1000, 1005-1007, 1011, 1020-1021 1330-1332, 1631-1634
extension of time, granted.....	1022-1024 1333-1335, 1629-1631
order modified	1614
order modified to exclude one exchange from effect of	
increase	1669-1670
party line service, for, authorized.....	57-61, 447-449, 602-603 607-608, 610, 615-617, 916-919, 957-959
Postmaster General, approved by:	
approved	1501-1527
not acted upon by Commission since properties	
operated under	1464
suspended, abrogated and annulled.....	1219-1220
private branch exchanges, for, authorized.....	194-195, 201-203 249, 435-437, 441, 921, 923-924, 928-929
protest against, failure of subscribers to make, not	
sufficient reason for granting.....	473-474, 476-477
reasonableness to be proved following effective date of	
authorization	1059-1060
rebuilding of properties, for, not granted where earn-	
ings fair in past.....	849-851, 854

SUBJECT INDEX.

RATES — Continued:

PAGE

increase — continued:

reduction of number of subscribers per line, following,

authorized 289-291, 293

residence:

authorized..... 61-62, 64-66, 68, 71-72, 75-77

79-81, 85, 88-89, 92, 106-108, 117-120, 124, 155-164

174, 177-178, 185-186, 194-195, 201-203, 205-209

211-212, 215, 228-235, 240-242, 245-249, 251-252

256, 258-260, 262-264, 269-271, 288, 294, 302-304

319-321, 325, 328, 331-332, 372-374, 376, 404-405

409, 412-415, 420-421, 423-426, 435-437, 441-444

447-449, 465-466, 472-476, 484-485, 488-494, 505-

507, 538, 545, 547, 549-551, 554-557, 563, 570-571

573-576, 579, 583-586, 607-608, 610, 615-617, 622

634-638, 641-644, 649, 651-652, 661, 664-666, 672

679-683, 686-688, 692, 694, 700-701, 704-706, 712

721-722, 725-726, 729-731, 734-736, 752-754, 763-

764, 768, 775-777, 780-782, 791-792, 799, 804-805

814-819, 823, 826, 839-840, 844-845, 849, 893-894

898, 907-909, 912, 919-924, 928-929, 943-945, 952

956-959, 975-976, 989-992, 997-1002, 1006, 1011-

1015, 1020, 1035-1037, 1039, 1045-1047, 1083, 1088-

1089, 1092, 1106, 1111, 1118-1120, 1129-1130, 1148

1151, 1169-1172, 1176-1178, 1193-1197, 1205, 1209-

1218, 1221-1224, 1227-1228, 1231, 1235-1236, 1239

1242-1250, 1281-1282, 1286, 1299-1300, 1306-1312

1357-1358, 1360-1365, 1371, 1488-1490, 1495-1498

1532-1534, 1540-1542, 1548-1550, 1555, 1561-1564

1568-1570, 1574-1576, 1583, 1588, 1593-1596, 1598-

1600, 1603, 1621-1622, 1631-1634, 1643-1644, 1648

1650-1656, 1663, 1709-1711, 1716, 1723-1728, 1731

1744-1746, 1752-1754, 1759, 1763-1764, 1769

not as great as sought..... 641-644, 649

denied..... 591-592, 598, 932-935, 941, 977-978

983-984, 988, 1030-1035, 1312-1314

several companies, application made by association

for horizontal increase:

authorized 913-916

dismissed 1240-1242

six months, for, authorized..... 211-212, 225, 237, 240-242

734-735, 737-738, 1364, 1370-1371

suburban, authorized 1083, 1088

switchboard installation, following, authorized..... 1348-1349

SUBJECT INDEX.

RATES — Continued:

PAGE

increase — continued:

switching:

authorized.....	65-66, 68, 71-72, 75-77, 79, 174, 187-188
191-193, 269, 271, 288, 299, 302-304, 475-476, 634-635, 638, 651-652, 661, 679-682, 700-701, 704, 833-835, 883-890, 976, 989-990, 997, 1013-1015, 1020	
1041, 1044, 1288-1290, 1330-1332, 1357-1358, 1363-1365, 1371, 1568-1570, 1574-1575, 1593-1596, 1598-1600, 1603, 1631-1634, 1643-1644, 1648, 1723-1726	
	1752-1754, 1756, 1759
not as great as asked.....	641-644, 649
denied	804, 814

temporary:

one year, for, authorized.....	187-188, 192-195, 203
420-421, 426, 435, 440-441, 444-445, 650, 662, 673	
845, 953, 975-976, 998-1000, 1005-1007, 1011, 1020-1021, 1330-1332, 1631-1634	
extension of time, granted.....	1022-1024
	1333-1335, 1629-1631
order modified	1614
should be, under present conditions.....	859-864
six months, for, authorized.....	211-212, 225, 237, 240-242
	734-735, 737-738, 1364, 1370-1371
two years, for, authorized.....	119, 123

toll:

authorized.....	129-131, 211-212, 215, 225, 227, 237
240-242, 700-701, 704, 730-731, 734-736, 1089, 1091-1092, 1104, 1111, 1363-1365, 1369, 1371, 1528-1531	
denied	977-978, 983-984, 988
suspended, abrogated and annulled.....	1219-1220
two years, for, authorized.....	119, 123
unauthorized held unlawful.....	1273-1276

individual line service, for:

applicable for multi-party bridged service.....	1210
increase authorized	57-61, 602-603
residence, establishment authorized.....	1493-1495
switching, approved	72, 75
two-party line service for, approved where character of distribution system the same.....	299, 304

interchange of service, toll rates for:

approved	818, 826
fixed	1786

SUBJECT INDEX.

RATES — Continued:

PAGE

interchange of service, toll rates for — continued:

in lieu of free service:

authorized.....427, 431-434, 1037-1038, 1168-1169

1315-1328, 1532, 1534, 1538, 1540

suspended pending a hearing..... 640-641

denied1281-1283, 1286

non-application to certain exchanges held dis-
criminatory 427, 432

intercommunicating trunks, increase authorized.....435-437, 441

interexchange service for:

free service in lieu of toll rates:

approved 1223-1224

ordered607-608, 617

toll rates for:

fixed 1561, 1564

in lieu of free service:

authorized.....57-58, 61, 79-82, 85-86, 293-298

574-575, 578, 1351-1357, 1364-1365, 1370-1372

1577, 1584, 1591, 1676-1677

complaint against, dismissed 451

denied119-121, 124, 876

not ordered over heavily loaded, grounded

line 297

intrastate:

jurisdiction of Postmaster General over, not yet deter-

mined 1078

regulation within jurisdiction.....1053-1055, 1057, 1423-1453

investigation required, approval of consolidation withheld. 1048-1052

joint:

toll schedules ordered filed..... 580, 582

use of instrument by two parties, for, approved..... 248, 493

506, 676-677, 806, 814, 1015, 1020, 1109-1110

1177, 1193, 1350-1351

knife switches, for, approved.....806, 815, 1178, 1194

measured service, for:

flat rates for switching in lieu of, approved..... 307-309

optional flat rate or, authorized.....245, 1351-1354

metallic circuit system, for:

effective as soon as 50% of lines metallic..... 816, 825

fixed 1351-1352

farm lines, for..... 816, 826

higher than for grounded circuit service..... 1284

increase following installation of, authorized. 827-828, 1784-1785

not effective until circuits made metallic..... 845, 848

optional grounded circuit or, authorized.....815-816, 825-826

SUBJECT INDEX.

RATES — Continued:

PAGE

mileage, excess:	
approved.....	81, 85, 245, 248, 321, 325, 328, 331-332, 370
	377, 412-413, 492-493, 505-507, 539, 541, 545-546, 557
	563, 665-666, 672, 806, 814, 912, 923-924, 929, 1178
	1193-1194, 1236, 1239, 1589, 1600, 1603, 1694
farm lines, on:	
disapproved	489, 491, 505
fixed	1549, 1555-1556
fixed	1569-1570, 1574-1575, 1772-1773, 1781
line leased by one company and extending beyond vil-	
lage limits, for, approved.....	1195-1196, 1205-1210
night:	
charge for, approved.....	76-77, 79
toll, change in hour when reduced rates effective,	
authorized	211-214, 226-227, 238, 240, 242
non-subscribers, for:	
approved.....	77, 79, 687-688, 818, 826, 1015, 1020, 1107
	1223-1224, 1752-1753, 1755, 1760
fixed	580-582, 622, 719-720
messenger fee approved when non-subscriber called on	
subscriber's 'phone	77, 79
toll rates for, reduction authorized.....	159-161, 720-721
optional grounded circuit or metallic circuit system service,	
for, approved	815-816, 825-826
optional message or flat rate for interexchange service,	
authorized	245, 1351-1354
"other line charge" on toll messages disapproved..	517-520, 687-688
overtime on toll messages:	
approved although initial period free.....	413-415
fixed	343, 348
party line:	
four-party business:	
eight-party residence and, excluded.....	1103
not authorized	1215
increase authorized	57-61, 602-603, 607-608, 610, 615-617
	916-919, 957-959
four-party business and residence.....	447-449
individual line rates for two-party service approved	
where character of distribution system same.....	299, 304
two-party:	
residence, establishment authorized.....	177-179
unnecessary, considered to be.....	157-158

SUBJECT INDEX.

RATES — Continued:

PAGE

pay stations, for:	
approved	929, 1107, 1111, 1589
fixed	700, 704, 801
posting, rules governing, prescribed.....	891-893
private branch exchanges, for:	
approved.....	321, 325, 493, 507, 539-540, 1107-1108 1242-1243, 1245, 1588
increase authorized	194-195, 201-203, 249, 435-437 441, 921, 923-924, 928-929
private intercommunicating system, for, approved.....	1108
proposed by company approved by Commission upon reconsideration of facts.....	442-444
public news telephone service, for, approved.....	1040
push buttons, for, authorized.....	551, 554, 570-571, 573 806, 815, 1178, 1194
reasonableness:	
not proof of sufficiency.....	482
proof as to, to be made following effective date of increase	1059-1060
toll rates for intra-county service held reasonable where usual rates.....	427, 432
reduction:	
extension bells, for, ordered.....	485, 489
extension telephones, for:	
authorized	81, 85
recommended	1-2, 11, 22-23
suspension of service, for periods of, approved.....	590-591 676-677, 954-955, 1047, 1110, 1350-1351 1752-1754, 1760
switching, ordered	465-466, 471-472
toll:	
authorized	159-161
competition, to meet.....	720-721
ordered	1336, 1343-1345, 1790-1792
residence:	
approved	1559-1561
business purposes, used for, additional charge approved	1015, 1020, 1111
fixed	1772, 1775, 1779

SUBJECT INDEX.

RATES — Continued :

PAGE

residence — continued :

increase :

authorized..... 61-62, 64-66, 68, 71-72, 75-77
 79-81, 85, 88-89, 92, 106-108, 117-120, 124, 155-164
 174, 177-178, 185-186, 194-195, 201-203, 205-209
 211-212, 215, 228-235, 240-242, 245-249, 251-252
 256, 258-260, 262-264, 266-271, 288, 299, 302-304
 319-321, 325, 328, 331-332, 372-374, 376, 404-405
 409, 412-415, 420-421, 423-426, 435-437, 441-443
 447-449, 465-466, 472-476, 484-485, 488-494, 505-
 507, 538, 545, 547, 549-551, 554-557, 563, 570-571
 573-576, 579, 583-586, 607-608, 610, 615-617, 622
 634-635, 638, 641-644, 649, 651-652, 661, 664-666
 672, 679-683, 686-688, 692, 694, 700-701, 704-706
 712, 721-722, 725-726, 729-731, 734-736, 752-754
 763-764, 768, 775-777, 780-782, 791-792, 799, 804 -
 805, 814-819, 823, 826, 839-840, 844-845, 849, 893-
 894, 898, 907-909, 912, 919-924, 928-929, 943-945
 952, 956-959, 975-976, 989-992, 997-1002, 1006
 1011-1015, 1020, 1035-1037, 1039, 1045-1047, 1083
 1088-1089, 1092, 1106, 1111, 1118-1120, 1129-1130
 1148, 1151, 1169-1172, 1176-1178, 1193-1197, 1205
 1209-1218, 1221-1224, 1227-1228, 1231, 1235-1236
 1239, 1242-1250, 1281-1282, 1286, 1299-1300, 1306-
 1312, 1357-1358, 1360-1365, 1371, 1488-1490, 1495-
 1498, 1532-1534, 1540-1542, 1548-1550, 1555, 1561-
 1564, 1568-1570, 1574-1576, 1583, 1588, 1593-1596
 1598-1600, 1603, 1621-1622, 1631-1634, 1643-1644
 1648, 1650-1656, 1663, 1709-1711, 1716, 1723-1728
 1731, 1744-1746, 1752-1754, 1759, 1763-1764, 1769

not as great as sought..... 641-644, 649

denied 591-592, 598, 932-935, 941, 977-978, 983-984
 988, 1030-1035, 1312-1314

individual line, establishment authorized..... 1493-1495

schedules :

change in, unlawful except upon notice to Commission 133, 139
 establishment approved 719-720
 joint toll rates, of, ordered filed..... 580, 582
 modification authorized 1772-1781
 posting and publishing, rules governing, prescribed.. 891-893
 toll rates, of, suspended..... 1592
 service line subscribers, for, approved..... 444

SUBJECT INDEX.

RATES — Continued:

	PAGE
short period talking service, for, approved.....	1040
short term service, for, fixed...1549, 1555-1556, 1772-1773, 1775-1780	
silent calling rural service, for, elimination approved....	815-816, 823
special services, for, approved.....	929
standardization:	
advisable where possible.....	1772, 1775
toll rates fixed by Postmaster General for.....	969, 1055
station charge not justified where installation and maintenance expenses not incurred.....	389
suburban, increase authorized.....	1083, 1088
summer resorts, for, fixed.....	1555-1556
suspension:	
resuspension of rate schedules filed with approval of Postmaster General ordered pending a hearing....	1142-1143
toll rates fixed by Postmaster General:	
modified schedule, of, ordered.....	1332-1333
ordered .....874-875, 904-907, 930-931, 962-963, 1007-1009	
1053-1058, 1079-1081, 1332-1333, 1499-1500, 1592	
switching:	
actual cost on basis for fixing, considered.....	1186-1187, 1192
approved	551, 554, 570-571, 573, 1590
cancellation authorized	639
connecting companies, for, rule governing collection, prescribed	1753, 1755, 1760
farm switch, for service through, fixed.....	1720-1723, 1725
flat rate for:	
instead of measured rates, approved.....	307-309
restoration denied	1336-1346
increase:	
authorized	65-66, 68, 71-72, 75-77, 79, 174, 187-188
191-193, 269, 271, 288, 299, 302-304, 475-476, 634-635, 638, 651-652, 661, 679-682	
700-701, 704, 833-835, 883-890, 976, 989-990	
997, 1013-1015, 1020, 1041, 1044, 1288-1290	
1330-1332, 1357-1358, 1363-1365, 1371, 1568-1570, 1574-1575, 1593-1596, 1598-1600, 1603	
1631-1634, 1643-1644, 1648, 1723-1726, 1752-1754, 1756, 1759	
not as great as sought.....	641-644, 649
denied	804, 814
individual line, for, approved.....	72, 75
liability for collection upon connecting farm line.....	1465, 1468-1470
maximum, fixed	775, 780

SUBJECT INDEX. .

RATES — Continued:

PAGE

switching— continued:

minimum, fixed	414
one-exchange service, for, fixed.....	1720-1723, 1725
reduction, ordered	465-466, 471-472
two-exchange service, for:	
fixed	1720-1723, 1725
same for one-exchange service and, held discrimi-	
nation	1717-1718, 1720-1723

terminating charge on toll rates disapproved..... 1533, 1539

toll:

additional charge on:

agreed upon by companies not passed upon by	
Commission	342-343, 347
disapproved	1533, 1539
fixed	342-348
block system for fixing, approved.....	129-130
calls on rural party line, for, authorized.....	800, 803-804
charge for use of local exchange from subscriber's	
station to central office not permissible.....	632
commissions on, fixed.....	1772-1774, 1778, 1781
competitive rates, equal to, authorized.....	342
county boundaries not proper basis for.....	630-633
division of interline:	
commissions, fixed ...	999-1000, 1003, 1772-1774, 1778, 1781
reversed messages, on.....	101, 105
contract covering, ordered modified.....	1790-1792
fixed	293, 295-297, 342-343, 348, 580-582, 1037-1038
1168-1169, 1302-1303, 1532, 1538, 1772-1774, 1778, 1781	
same for reversed calls as for direct.....	516-517
left in first instance to agreement between parties.	1353
fixed	342-343, 348, 516-517
flat rates for, restoration denied.....	1336-1346
higher for incoming than outgoing messages, increase	
to eliminate discrimination, authorized.....	1364, 1369
incoming messages, "other line charge" on, disap-	
proved	687-688
increase:	
authorized	129-131, 211-212, 215, 225, 227, 237, 240-242
700-701, 704, 730-731, 734-736, 1089, 1091-1092	
1104, 1111, 1363-1365, 1369, 1371, 1528-1531	
denied	977-978, 983-984, 989
suspended, abrogated and annulled.....	1219-1220

. SUBJECT INDEX.

RATES — Continued:

PAGE

toll — continued:

interchange of service, for:

approved 818, 826

fixed 1786

in lieu of free service:

authorized 427, 431-434, 1037-1038, 1168-1169

1315-1328, 1532, 1534, 1538, 1540

suspended pending a rehearing..... 640-641

denied 1281-1283, 1286

non-application to certain exchanges held

discriminatory 427, 432

* reasonable, held to be, where usual rates.... 427, 432

interexchange service, for:

fixed 1561, 1564

free service in lieu of:

authorized 1223-1224

ordered 607-608, 617

in lieu of free service:

authorized 57-58, 61, 79-82, 85-86, 293-298

574-575, 578, 1351-1357, 1364-1365

1370-1372, 1577, 1584, 1591, 1676-1677

complaint against establishment, dismissed.. 451

denied 119-121, 124, 876

not ordered for service over heavily loaded,

grounded line 297

intrastate rates not to be on higher basis than

interstate 129-130

joint, schedules for, ordered filed..... 580, 582

liability for collection upon connecting farm line. 1465, 1468-1470

long distance terminals, for, approved..... 1040

messages between points not more than twelve miles

apart, for, suspended..... 1592

night, change in hour when reduced rates effective,

authorized 211-214, 226-227, 238, 240, 242

"other line charge" on, collection ordered discon-

tinued 517-520, 687-688

overtime:

approved although initial period free..... 413-415

fixed 343, 348

Postmaster General, fixed by:

action to prevent company from putting rates

into effect, ordered commenced by counsel..... 1063-1066

authority to file, denied..... 1072-1076, 1172-1176

less than statutory notice, on..... 1144-1145

SUBJECT INDEX.

RATES — Continued:

PAGE

toll — continued:

Postmaster General, fixed by — continued:

cancellation ordered	963-974
disapproved by Commission.....	878, 1295-1298
discussed	1064-1066
fine imposed on company by Commission, for charging	1405-1406, 1453-1455, 1699-1702
injurious to intrastate business, held to be.....	1173, 1176
jurisdiction of:	
Commission, over, discussed.....	963-964, 967-970
Supreme Court, over, complaint as to.....	1173
modified schedule suspended.....	1332-1333
not made effective.....	1089, 1091, 1104-1105
order to show cause why toll rates in effect prior to, should not be restored.....	881-882
rejected	1009-1010
standardization, for, authorized.....	969, 1055
suspended ...	874-875, 904-907, 930-931, 962-963, 1007-1009 1053-1058, 1079-1080, 1332-1333, 1499-1500, 1592
company ordered to show cause why fine should not be assessed for violation of Commission's order	1081
proprietor's charge on, ordered discontinued.....	517-522
reduction:	
authorized	159-161, 720-721
ordered	1336, 1343-1345, 1790-1792
regulation of traffic, for, authorized.....	1315, 1326-1328
reversed:	
authorized	101-106
division:	
fixed	101, 105-106
made on same basis as if calls not reversed..	516-517
ordered	516-517
telephone in railway station connected to joint toll circuit, from, to go to one company only.....	580-581
two-exchange service, for, ordered made higher than one- exchange service rates.....	1481-1482, 1484-1486
unremunerative, influence on sale value of property con- sidered	989-990, 995
vacation, reduced rates for periods of, authorized... ..	590-591, 676-677 954-955, 1047, 1110, 1350-1351, 1752-1754, 1760

SUBJECT INDEX.

RATES — Continued:	PAGE
wholesale, purchase of service in bulk and sale at retail prohibited	132-148
See also Accounts; Advance Payment; Cancellation Charge; Commissions; Credits; Deposits; Discount; Discrimination; Installation Charge; Prompt Payment; Rate of Return; Rebates; Reconnection Charge; Refunds; Removal Charge; Rentals; Revenues; Service; Surplus; Terminal Charge; Zones.	
READINESS TO SERVE. See Installation Charge.	
RECEIVERSHIP:	
foreign corporations, Receivers of, authorized to accept stock of domestic corporation in exchange for domestic corporation's notes	1397-1398
holding of securities for distribution among stockholders, by selling companies, authorized.....	1069-1071
purchase:	
property, of, by Receivers authorized following approval by court.....	1276, 1278
stock of domestic corporation by Receivers of foreign corporation authorized	761-762
sale of property by Receivers approved by Commission following approval of court.....	1613
RECONNECTION CHARGE:	
actual cost ordered paid by subscriber.....	676-677
approved following disconnection for non-payment..	1533, 1540-1541
not approved	374, 377
RECONSTRUCTION PERIOD. See War Conditions: effect.	
RECORDS:	
accuracy:	
change in method of allowing credits because of calling wrong numbers, not made.....	747-748
charges, of, tested by records of company rather than by oral evidence of patron.....	748
audit of books by city's auditors, expense to be borne by city not Board.....	859, 867-868
daily interexchange business, of, to be kept.....	298
data from, ordered furnished city.....	859-860, 864-866, 868-869
duplicate set not ordered kept.....	1466-1468
toll business, of, to be accessible to connecting toll company	1303
RED CROSS. See Donations.	
REFINANCING:	
substitution of long time obligations for bills payable, recommended	734

SUBJECT INDEX.

REFUNDS:	PAGE
advances for partial cost of extensions, of, authorized....	675-676
increases in rates, of, if rates not found reasonable.....	1059-1060
installation charge, of:	
ordered	1295-1298, 1381-1390
reports of refunds of installation charges in excess of filed rate ordered furnished.....:	1681-1683
interruptions of service, because of, considered.....	446-447
moving charges and toll rates fixed by Postmaster General in excess of rates fixed by Commission, of, ordered....	1295-1298
wrong numbers, change in method of allowing credits because of calling, not made.....	747-748
REGULATION:	
distinction between management and, made.....	1782-1783
failure of company to observe restrictions, identity as public utility not changed by.....	381, 385
See also Jurisdiction; Police Power.	
REHEARINGS:	
applications for, denied.....	40-41, 403-404, 1678, 1689
but evidence reconsidered.....	380-389, 442, 444-445
certificate of exigency for operation of telephone business by telegraph company, Commission held to be with- out jurisdiction to order, upon appeal: decision affirmed upon	47
further rehearings denied.....	555
court decision affirming Commission order for physical connection, of, denied.....	403
employment of additional operator, order for, rescinded upon	305
rate increase:	
granted upon	1643-1649
postponed upon, because of failure of company to make improvements	427-435
suspension of toll rates pending.....	640-641
See also Appeals; Hearings; Review.	
REMOVAL CHARGE:	
approved ...	493, 500, 666, 672, 806, 815, 1111, 1178, 1194, 1350-1351
not approved	374, 377
Postmaster General, fixed by:	
approval:	
denied	871, 877-878, 960-961
rescinded	1295-1298
withheld pending decision on reasonableness of..	688, 691
authority to collect, denied.....	210-211

SUBJECT INDEX.

REMOVAL CHARGE — Continued:

PAGE

Postmaster General, fixed by — continued:

authorized to become effective.....	463-464, 525-532, 625-627 774, 879
modification authorized	739
complaint against moving charge dismissed in view of	266-267
disapproved	1295-1298
filed automatically with Commission.....	378-380
illegal, held to be.....	1671-1675
ineffective, held to be.....	461-462
refund in excess of amount approved by Commission, ordered	1295-1298

See also Installation Charge.

RENTALS:

equipment owned by subscribers, to be paid by company for, fixed	763-764, 768, 1107, 1288-1290, 1773 1776-1777, 1780-1781
excessive, proposed leases disapproved where.....	740-745

See also Leases; Rates.

REPAIRS:

instruments, of, to be made by company.....	996, 998
making of, held duty of company.....	1472, 1476
method of charging, prescribed.....	700-701, 703-704
ordered made	721, 724-725, 1134, 1141, 1491-1492
outside plant ordered put in good condition.....	42-43
responsibility for expense of, upon stockholders who failed to provide depreciation reserve.....	258, 261-262
service discontinued because of refusal to pay during need of, abatement of charges, approved.....	1471-1472, 1475-1476
subscriber, by, restoration of service ordered following...	69-70

See also Maintenance; Service: adequacy.

REPORTS:

annual, identity of public utility not changed by failure of company to file.....	381, 385
company selling property, of, ordered made.....	536
installation charge:	
lists of subscribers entering agreements for service assuming regular charge effective, of, ordered furnished	1681-1683
remittance, of, ordered.....	1681-1682
monthly:	
ordered made	225, 249-250
"sent paid" and "sent collect" toll business, of, ordered made	101, 105-106
nine months after close of war, ordered.....	129-130

SUBJECT INDEX.

REPORTS — Continued:

	PAGE
ordered filed	204
removal charge, lists of subscribers entering agreements for service assuming regular charge effective, ordered furnished	1681-1683
semi-annual, ordered filed	129-130, 615
toll service, of, ordered filed.....	521-522

RESERVE FOR DEPRECIATION:

allowance for:

actual depreciation, to cover, ordered made.....	919-920, 930
approved	815-816, 823
continuance ordered	957, 959
dividends ordered suspended until provision made for maintenance and	695-697, 699, 713, 716-718, 721, 724
\$8.00 per telephone fixed for rate of return and.....	827
8% made	258, 260, 264
11%:	
maintenance and, for, not approved.....	932, 939
rate of return and, for, not excessive.....	1169, 1171
15% for rate of return and:	
inadequate for taxes and.....	1156
made	289, 291, 1211, 1214
approximately	801, 845, 848
taxes and, made for.....	804-805, 809
5%:	
made	106, 108-109, 372, 375-376, 389-390, 400, 402, 404
408, 514-515, 517-522, 583, 585, 932-933, 940-941	
943-944, 950-953, 1281, 1285, 1622, 1784-1785	
approximately	251, 254
reasonable under normal conditions.....	608, 613
5.5% made	1, 6-8, 163-164, 174, 177-178, 182-183, 185
dissenting opinion	2, 21
5.72% for taxes and, estimated.....	1501-1502, 1510
fixed	907-908, 910-912
4% made	752-754
4½%:	
estimated	1158, 1161
made	607-608, 614
14% for rate of return and, made.....	835-836
1011, 1019, 1141, 1176, 1182, 1545-1547	
1750-1757, 1763-1764, 1768-1769, 1771	
approximately	829, 832
made.....	488, 916, 918-919, 1097, 1235, 1239, 1246-1247
1249-1250, 1568-1569, 1572-1573	
1575-1576, 1598-1599, 1602-1603	

SUBJECT INDEX.

RESERVE FOR DEPRECIATION — Continued:

PAGE

allowance for — continued:

9% for maintenance and, made.....207, 209, 211-213, 220-222
236, 240-241, 679, 682, 688, 690-691
730, 733, 737, 1030, 1034

9.4%:

not allowed435-436, 438
rate of return and, for, increase in rates yielding
only, approved 1541, 1546
ordered made465-466, 469

7%:

fixed 57, 60
made76, 78, 775, 779, 783-784, 786-788
1118-1119, 1128, 1489, 1752, 1756

approximately 651, 655
7.1% fixed 79, 85

7.5% made 1549, 1553
approximately 366, 369

7.8% made 71, 74-75

6%:

all future additions, of, ordered.....916, 918-919
amount for completed depreciation and excessive. 839, 843
estimated 849, 856
fixed 61, 63-64
made.....65, 68-69, 187, 190-191, 194, 201, 435-436, 440
550, 553-555, 564, 570, 572-573, 634, 636, 641-
642, 648, 989-990, 996, 1227, 1229, 1231, 1709-
1711, 1713, 1761-1762

rate of return and, for, inadequate..... 160

6.1% made893-894, 898

6.2% made574-575, 577-580

6.4% fixed319-320, 324, 326

6.6% made 538, 543

approximately 249

6.7% made327-329, 331-332

6.9% made 88, 91-92

6.15% made489-490, 502

10% for maintenance and, made.....682, 685-686, 695-696

698-699, 1363-1365, 1368-1369, 1372, 1643-1644, 1646

1649-1650, 1652-1653, 1655-1656, 1660-1661, 1663

10.2% insufficient for rate of return and..... 847

13% for rate of return and, made.....663-664, 669

13½% for rate of return and, not excessive..... 1315, 1325

13.6% made for rate of return and..... 999, 1004

3% made 1308, 1311

SUBJECT INDEX.

RESERVE FOR DEPRECIATION — Continued:·

PAGE

allowance for — continued:

12% for maintenance and, made.....	700-701, 704-705 709-710, 712
\$2.00 per telephone per year, fixed.....	599, 601
2% on sinking fund basis fixed.....	269, 274
analysis of items charged to, to be made.....	865
failure to provide for, owners responsible for expense of repair, because of.....	258, 261-262
fund for:	
amount to be put in, fixed.....	1644, 1649
basis for charges to, considered.....	211, 213, 221-222 236-237, 240, 242
establishment ordered	1083, 1087
surplus ordered carried to.....	692, 695
use of:	
consolidation costs disapproved.....	211-212, 219, 237
outlined.....	109, 373, 377, 389-390, 398, 403 409-410, 514-515, 518-523, 586-587, 601-602, 607 617-618, 731, 737, 932, 942, 953, 959, 1281-1282 1287, 1363, 1365, 1372-1373, 1784-1785

See also Amortization; Depreciation.

REVENUES:

error in estimating, corrected upon reconsideration.....	442-443
return on operating revenues put in plant not permitted..	725, 728
toll:	
apportionment:	
made	293
not made between local and toll...71, 73-74, 88, 327-328, 330	
credited largely to local plant.....	575
deficit in, to be assessed to exchange subscribers....	269-270, 286
use of, outlined.....	237-238, 241-242

See also Operating Expenses; Rates: toll: division;
Rentals.

REVIEW:

action to prevent company from putting into effect toll rates fixed by Postmaster General, ordered commenced..	1063
complaint as to rates dismissed: petition for writ of certiorari filed	872
injunction to restrain the charging of toll rates fixed by Postmaster General, granted.....	1406, 1461
supersedeas granted by Supreme Court after lower court issued injunction	1406
suspension of rates ordered: company enjoined from dis- obeying Commission's order.....	906

SUBJECT INDEX.

REVIEW — Continued:

PAGE

temporary injunction restraining collection of toll rates fixed by Postmaster General:	
denied	963, 1053, 1173
dismissed by Federal Court.....	1296
granted	904, 906, 1008, 1072
state court, by.....	1296-1297
See also Appeals; Hearings; Rehearings.	

RIGHTS-OF-WAY:

company's allowance for tree trimming and, held arbitrary	592-593
---	---------

ROUTING:

complaint against manner of, dismissed.....	1481-1482, 1484-1485
designation of route optional with subscriber.....	1302, 1608
	1610, 1612-1613
direct, in lieu of circuitous route ordered used.....	604-606
interexchange messages restricted to one of two possible routes	342, 344-347
most expeditious route to be used.....	153
toll messages, of, over rural line forbidden.....	1717-1723

RULES AND REGULATIONS:

breach of, penalties for, ordered discontinued.....	519-520
change in, not lawful except upon notice to Commission..	133, 139
collection of rates, governing, approved.....	413
connecting companies, governing collection of rates of, prescribed	1753, 1755, 1760
continuance of service during litigation over disputed bill, written rule for, not required.....	746-747
delivery of telegrams, governing, prescribed.....	1061-1062
discount for prompt payment, a matter of.....	418-419
long distance terminals, public news telephone service and short period talking service, covering, approved.....	1040
posting and publishing rates, governing, prescribed.....	891-893
toll company, of, to be observed by connecting company..	1303
use of German language, prohibiting use of, discrimination ordered eliminated	1627-1629
See also Advance Payment; Construction of Lines; Deposits; Discount; Extensions; Foreign Attachments; Penalties; Prompt Payment; Service: discontinuance.	

RURAL LINES. See Farm Lines; Rates: farm line; Rates:
switching; Service: switching.

SUBJECT INDEX.

SALARIES. See Operating Expenses: salaries.	PAGE
SALE OF PROPERTY:	
authorized	47-52, 359-365, 533-538, 873-874, 899-903 1328-1329, 1378-1380
competitor, to, denied where purchase price greater than value	450
equipment owned by subscribers ordered purchased by company	1374-1376, 1466, 1469-1470
holding company, to, authorized.....	1398-1400, 1403-1404
payment made partly in cash and partly by assumption of mortgage	564-566
purchase price:	
greater than value, approval of sale denied.....	450
not conclusive as value for:	
rate-making ...	1276-1277, 1279, 1291, 1293-1294, 1615, 1620
security issue	1615, 1620
part only, to be capitalized.....	533, 535, 537
Receivers, by:	
approval of purchase of property by, within juris- diction of court.....	1276, 1278
approved where authorized by court.....	1613
stub lines, of, to company ordered.....	1152, 1156
toll lines, of, authorized.....	1291-1295
transferred by order of court in bankruptcy proceedings, approved	1378-1380
unauthorized sale validated.....	618-620
See also Consolidation; Intercorporate Relations; Leases; Mortgages; Securities: holding; Securities: issue: acquisition.	
SALVAGE:	
non-usable property, of, ordered deducted prior to amortization	533, 535-537
SCHOOLS. See Discrimination: free and reduced rate service.	
SECURITIES:	
bonds:	
cancellation ordered	533, 536-537
discount on:	
amortization authorized	333, 336, 340
discussed	392-395
interest, increase in rate of, approved.....	243-244

SUBJECT INDEX.

SECURITIES — Continued:

PAGE

bonds — continued:

issue:

- authority necessary for..... 1617-1618
- authorized243-244, 453-455, 755-758, 1255-1257
1376-1377, 1390-1393, 1400-1402
1576-1581, 1586, 1605-1607
- first mortgage bonds, of.....333-334, 337, 339
- order amended 52-53
- second mortgage bonds, of.....333-334, 337, 339
- purchase by company selling property approved.... 1577-1578
1580-1581, 1585-1586
- sale, expense of, ordered amortized.....333, 336, 340
- cancellation of those of company selling property,
ordered533, 536-537
- discount in financial transactions between parent and
subsidiary corporations, Commission reluctant to
permit1265-1266, 1270

foreign corporations:

- acceptance of stock of domestic corporation by
Receivers of, in exchange for notes of domestic
corporation 1397-1398

issue by:

- acquisition of intrastate property, for, authorized 1376-1377
- retiring outstanding bonds, for, authorized..... 1697-1698
- purchase of stock of domestic corporation, author-
ized760-762, 1576-1578, 1580-1581, 1586
- sale of securities of, by domestic corporation, author-
ized1577-1578, 1580-1581, 1585-1586
- holding for distribution among stockholders, by selling
companies, authorized1069-1071, 1689-1691

issue:

acquisition of property, for:

- authorized47-48, 50-51, 349-353, 359, 364-365
1069-1071, 1376-1377, 1400-1402, 1576-1578, 1580-
1581, 1586, 1605-1607, 1689-1691, 1695-1697
- extension of time for sale, granted..... 1021-1022
- denied where purchase of property not approved. 450

authority for:

- necessary 1617-1618
- purchase of property with securities, held not to
authorize issue of securities.....1232, 1234-1235
- betterments and extensions, for, authorized. 333-341
899, 901-902, 1581, 1586, 1666-1667, 1689-1691

SUBJECT INDEX.

SECURITIES — Continued:

PAGE

issue — continued:

competitor's stock, for, payment of, authorized..... 455-458
consolidation of property, for, authorized..... 1695-1697
construction purposes, for, suggested..... 1656, 1662

discharge of:

indebtedness, of, authorized..... 1069-1071
securities, authorized755-757, 1390-1393
order amended 52-53
distribution among stockholders, for, authorized..... 452-453
1636-1642

equalization of investment and capitalization, for,
suggested1636-1637, 1655-1657, 1662
in lieu of bonds bearing lower rate of interest,
authorized 243-244

payment:

indebtedness, for, authorized.....755-757, 1581, 1587
notes and accounts, for, authorized.....663, 671, 673
property values properly chargeable to capital
account, to cover, authorized.....607-608, 610, 612, 616
purchase of outstanding stock, for, authorized..... 455-458
refunding or retirement of securities authorized..... 110-111
1255-1262, 1605-1607, 1697-1698
stock issued without authority.....53-57, 317-319, 353-355
899-900, 902-903

reimbursement of treasury, for, authorized..... 110-111
353-355, 410-411, 453-455, 1255-1258

replacing note issued without authority, for, authorized
..... 356-358

same amounts and proportions to appraised value of
purchased property as outstanding securities of
purchasing company bear to its appraised value... 1231-1235
stockholders, to, to refund money expended for im-
provements instead of dividends, authorized..... 452-453

notes:

interest, order fixing rate of, modified..... 1267, 1272

issue:

authorized.....356-359, 365, 755-758, 1258-1262
excess of outstanding capital stock..... 756-757
order modified 1263-1272
parent and allied companies, issued to, to be
issued at par: order not modified.....1265-1266, 1270

SUBJECT INDEX.

SECURITIES — Continued :

PAGE

sale:	
company selling property, to, approved.....	1577-1578 1580-1581, 1585-1586
difference between total authorized stock and sale	
price, authorized	112, 116
expense of, ordered amortized.....	333, 336, 340
foreign corporation, to, authorized.....	760-762
stock:	
cancellation ordered	533, 536-537
dividends:	
authorized	452-453
equalization of difference between outstand- ing stock and stockholders' investment....	1636-1642 1655-1657, 1662
foreign corporations, passing on, held by Supreme Court not within jurisdiction of Com- mission	1377
domestic corporations, of, Receivers of foreign corpo- rations authorized to hold.....	1397-1398
exchange of stock of old company for that of new, authorized	112-113, 115
issue:	
authorized.....	47-48, 50-51, 53-57, 110-111, 317-319 333-334, 337, 339, 349, 351-355, 359, 364, 410- 411, 455-458, 607-610, 612, 616, 663, 670-671 673, 755-758, 899-903, 1069-1071, 1636-1642 1666-1667, 1689-1691, 1695-1698
extension of time for, authorized.....	1021-1022
stockholders, to	452-453
validation of unauthorized.....	618-620
denied	450
outstanding, taken as company's investment.....	835-836
purchase:	
company selling property, by, approved.....	1577-1578 1580-1581, 1585-1586
pro rata share of additional stock, of, authorized.	750-752
sale authorized	112, 116
above par but at price not greater than actual cost of making extensions to purchaser.....	1666
foreign corporation, to.....	760-762
validation of unauthorized.....	618-620, 899-900, 902
See also Capitalization; 4½% Payment; Intercorporate Relations; Mortgages; Rate of Return; Stockholders.	

SUBJECT INDEX.

SERVICE:

PAGE

adequacy:

- highest type of service obtainable ordered furnished.. 1491-1492
- poor service because of failure to employ union operators, condemned769, 772-773
- protests against inefficiency, discussed..... 1494
- rate increase denied because of dilapidated condition of plant and poor service.....1077-1079, 1312-1314
- slowness of service held more fault of subscribers than operators1502, 1522-1523
- common battery system not ordered installed.....194-195, 200-201
- continuous:

- establishment authorized 465-467
- ordered1030, 1033-1034, 1643-1644, 1649
- rate increase following, authorized.....89, 92, 1299-1300

cost:

- high, caused by serving relatively small number of subscribers over wide spread of territory.....1171, 1550-1553
- per station:
- estimated269, 287, 500, 816, 822, 830, 847, 1147, 1171
1177, 1190, 1523, 1546-1547, 1585, 1763, 1767
- increases with number of stations..... 245, 247
- reasonable amount for, stated..... 501
- support in whole or in part by taxation not contemplated1501, 1503, 1527

discontinuance:

- authorized 315-316
- exchanges, of, authorized..... 1623-1624

non-payment:

- approved1466, 1468, 1471, 1474, 1533, 1540-1541, 1622
- complaint against practice, dismissed..... 446-447
- disapproved932-934, 936, 942
- written rule prohibiting, during litigation over disputed bill, not required..... 746-747
- subscribers in occupied territory, to, complaint against, dismissed 1113-1115
- switching, rules governing, outlined..... 1109
- toll service, of, forbidden.....1608-1609, 1613
- emergency, provision for, approved...:.....77, 79, 641-643, 648-649
- German language, discrimination in prohibiting use of, ordered eliminated 1627-1629

hours for, extension:

- not ordered 1481-1483
- ordered791-793, 798-799

SUBJECT INDEX.

SERVICE — Continued:

PAGE

importance of telephone:

discussed	1133, 1139-1140
electrical interference with power lines ordered	
avoided because of.....	93, 95
hotels, in, discussed.....	142-143

improvement:

ordered	187, 192, 769, 773, 1024-1027, 1225-1227, 1667-1669
rate increase following:	

authorized	420, 422-425, 634, 636-638
postponed because of failure to make.....	427-435
justifiable	1132-1133, 1139-1140
rates permitted to become effective to provide for....	1075

inspection, toll company to have access to premises of

connecting company for.....	1303
-----------------------------	------

installation in railway stations:

approved	580-581
ordered	1634-1635

interchange:

complaint alleging failure to interchange messages	
dismissed	1250-1254

free:

contract for, approved.....	580-582
contrary to both letter and spirit of law.....	1315, 1324
detrimental to good service, held to be.....	427, 432
ordered continued	1281-1283, 1286

interexchange:

free:

denied	1019
disadvantages of, discussed.....	1364, 1371
in lieu of toll rates:	
authorized	1223-1224
ordered	607-608, 617
not approved	293, 295
routing restricted to one of two possible routes.....	342, 344-347
interruptions, refunds for, considered.....	446-447
joint user, defined.....	249
limitation of time on messages suggested.....	1709-1710, 1715
local, physical connection for, ordered.....	1786-1787
rehearing of decision affirming order, denied.....	403
metallic circuit system, installation:	
farm lines, on, recommended.....	815-816, 824-825
ordered	1784-1785
substitution for grounded circuit toll line ordered....	1132-1141

SUBJECT INDEX.

SERVICE — Continued:

PAGE

night:

determination of emergency calls, by subscriber not
company 791, 798
provision for emergencies during, approved.... 641-643, 648-649

obligation to serve:

discussed 763-764, 767
extension ordered made or defendant to show cause
why service should not be given..... 1029-1030

policing of lines, elimination of limited service because of
difficulty in, approved..... 1664-1666

private branch exchange, from, restricted to one firm or
person 1107-1108

radius for:

city limits approved as boundary lines for..... 1-2, 10-11
dissenting opinion 2, 22
fixed 1775
modification of boundaries, made..... 1691

restoration:

non-payment of disputed bill, discontinuance for,
ordered 1471-1477
reasonable time for, after suspension, fixed..... 238-240
repair of line built and maintained by subscriber,
upon, ordered 69-70
toll service, of, ordered if proper agent obtainable... 1706-1709

rural, party lines having more than four subscribers classed
as 488

supervision, closer, ordered made..... 1492

suspension:

reasonable time for restoration after, fixed..... 238-240
reduced rates for periods of, approved..... 590-591, 676-677
954-955, 1047, 1110

refusal to pay because of need of repair, abatement
of charges approved..... 1471-1472, 1475-1476

switching:

contracts for:

execution ordered 775, 780-782, 1717-1718, 1720-1722
filing ordered 775, 780-782

telegrams, rules governing delivery of, prescribed..... 1061-1062

tests made 1519-1521, 1742-1743

toll:

bridging-in of private line on toll line, denied..... 1565-1567
discontinuance or impairment of, forbidden.... 1608-1609, 1613
furnishing of, contingent upon finding an agent.... 1706-1709

SUBJECT INDEX.

SERVICE — Continued:	PAGE
toll — continued:	
physical connection for:	
authorized	342
continuance ordered	1623-1624
ordered .....1301-1303, 1608-1613, 1702-1705	
rehearing of decision affirming order, denied.	403
restricted to	342-343, 348
reference of originating messages to manager prior to	
sending through, forbidden.....	1152, 1156-1157
reports of, ordered made.....	521-522
monthly	101, 105-106
routing over rural line forbidden.....	1717-1723
unification urged under federal control.....	381-382, 386-389
unit, toll and exchange lines not considered.....	1088, 1090-1091
value:	1102-1104
basis for rate-making.....	632
unusually high return in past to company giving	
pool service at reasonable rates not criticized..	1119, 1123, 1125
See also Contracts; Deposits; Discrimination; Emergen-	
cies; Employees; Extensions; Farm Lines; Foreign	
Attachments; Interstate Commerce; Lines; Operating	
Expenses; Physical Connection; Rates; Repairs; Rout-	
ing; Short Term Service; Stockholders; Subscribers;	
Switchboards; Traffic; "Visiting"; War Conditions;	
Zones.	
SHORT TERM SERVICE.	See Rates: short term service.
STATE WIDE THEORY:	
relation of toll rates in specific state to those in other parts	
of U. S. discussed.....	1172, 1175
whole system or system within state considered as a unit	
not approved by concurring Commissioner.....	12-13
STOCK.	See Securities.
STOCKHOLDERS:	
acquisition of pro rata share of additional stock author-	
ized	750-751
discrimination in favor of:	
difference between non-stockholders' rates and stock-	
holders' assessments treated as.....	713-714
eliminated,.....	307-308, 519-520, 599-601, 1288-1290
distribution of stock among, authorized.....	452-453, 1636-1642
exchange of stock of old company for that of new com-	
pany formed by consolidation, authorized.....	112-113, 115
interests of, presumed to be safeguarded under federal	
control	1077-1078

SUBJECT INDEX.

STOCKHOLDERS — Continued:

PAGE

responsibility for expense of repairing system because of
failure to provide depreciation reserve.....258, 261-262
subscribers need not be..... 53, 55

SUBSCRIBERS:

disconnection from toll line, ordered..... 1133, 1139
equipment, owning:
 discrimination in favor of:
 authorized 1360-1362
 eliminated 1288-1290
 practice disapproved 1557
 purchase by company:
 ordered1374-1376, 1466, 1469-1470
 stub lines, of..... 1152, 1156
 recommended251, 255-256
 rentals ordered paid to.....763-764, 768, 1107, 1288-1290, 1773
 1776-1777, 1780-1781
new, deposit of three months' rental from, requirement
 approved372-374, 377
number per line:
 limitation ordered252, 586, 607-608, 613, 628-629
 718, 1134, 1141
 order for, modified..... 1347-1348
 maximum fixed 249
 minimum:
 fixed 249, 1107
 fixing of, disapproved.....664, 669, 671-672
 overloading due to war, to be remedied as soon as
 conditions normal 1019
 reduction:
 ordered 846
 rate increase conditioned upon reduction...289-291, 293
 recommended 1771
 rearrangement on rural lines denied..... 305-307
 redistribution because of rate increase, disregarded..489-491, 502-504
 reduction, possibility of, because of rate increase, disre-
 garded 651, 659
 repair of line built and maintained by, restoration of
 service ordered following..... 69-70
stockholders, need not be..... 53, 55
use of instruments of, by non-subscribers, change in rule
 as to, unlawful except upon notice to Commission..... 133, 139
See also Advance Payment; Contracts; Discount; Dis-
 crimination; Extensions; Prompt Payment; Rates;
 Stockholders.

SUBJECT INDEX.

SUMMER SERVICE. See Rates: summer; Short Term Service.	PAGE
SUPPLY COMPANIES:	
independent creditor, held to be, and note issue at discount to, permitted	1270
SURPLUS:	
betterments, to be used for.....	1045-1047
carried to reserve for depreciation, to be.....	692, 695
disposition of, outlined.....	682
duplicate property ordered charged to deficit account or to fund for:	566, 568
creation of limited fund, authorized.....	1643-1644, 1645
rate reduction ordered when excess of certain amount in	1643-1644, 1648-1649
investment in plant, forbidden.....	725, 729
ordered held in trust.....	682, 686, 691, 705
prosperous corporation should resort to, during national crisis	474, 481
unforeseen emergencies, to be held for.....	1656, 1663
use of:	
extensions, for, disapproved.....	692, 695
outlined	1041, 1044, 1360, 1362, 1365, 1372
SWITCHBOARDS:	
installation:	
new board, of, ordered.....	42-43
rate increase to be effective upon.....	1348-1349
lamp signals ordered installed.....	194-195, 200, 203
maintenance of, ordered paid by connecting companies in proportion to number of subscribers.....	833-834
rearrangement, to avoid interference of public with operators, ordered	1709-1710, 1714-1716
TAXES:	
allowance for:	
15% for reserve for depreciation, rate of return and:	
inadequate	1156
made	804-805, 809
5.72% made for reserve for depreciation and....	1501-1502, 1510
telephone operation not contemplated to be supported by taxation	1501, 1503, 1527
value for taxation considered.....	989, 994
See also Operating Expenses: income.	
TELEGRAPH COMPANIES:	
delivery of telegrams by, rules governing, prescribed.....	1061-1062
right to do telegraph business held to embrace right to do telephone business	47

SUBJECT INDEX.

TERMINAL CHARGE:	PAGE
increase denied	1723-1724
TERMINATING CHARGE. See Rates.	
TERRITORY:	
withdrawal, complaint against, dismissed.....	1113-1115
TOLL. See Rates; Revenues; Service.	
TRAFFIC:	
study made.....	279-284, 805, 810-813, 1184-1185, 1519-1521, 1757
TREES See Rights-of-Way.	
UNIT COSTS:	
based on current war prices, unfair.....	1121
comparison made in estimating value of property.....	436, 438
five-year average used.....	59, 63, 67, 73, 90, 163, 169, 319, 323, 325 327, 329, 331, 361, 389, 392, 542, 548, 552-554 572, 574-575, 577-580, 642, 647, 893-895, 898 907, 910, 917, 919, 925, 1118, 1121, 1227-1229 1231, 1237, 1248, 1568, 1571, 1593-1594, 1601
normal average values used.....	535
ten-year average used.....	1194, 1200
VALUATION OF PROPERTY:	
allocation of items to local, switched and toll property, made	274
appraisal expense ordered amortized.....	943-944, 950
book value:	
adopted for estimating reserve for depreciation and maintenance	895, 697
company's, used by Commission in application for emergency increase	977, 980
considered	76, 78, 829, 831, 1169-1170, 1501 1507-1508, 1517, 1734
toll property in two exchanges used.....	1158, 1160
company's value adopted.....	651-652, 805, 977, 980, 999 1003-1004, 1532, 1536
comparison between localities in number of miles of wire construction, made	473, 480
connecting agreements, no allowance made for, in....	1195, 1199-1200
detailed appraisals not necessary in application for emer- gency increase	983, 986-987
estimate made of.....	783-784, 787
exact, not necessary.....	732
excessive, lease not approved where rental based on.....	740, 744
fair value, approximately, sufficient where emergency increases sought	932, 937
final, made	1685-1689
higher than that fixed by company, approved.....	651, 655

SUBJECT INDEX.

VALUATION OF PROPERTY — Continued:	PAGE
intangible values, allowance for, not made.....	932, 937
market value held practical basis for rate-making.....	1126-1127
not made	194, 197, 201, 246, 435-436, 438, 473, 480 547, 549, 561, 669, 763, 763
original cost considered.....	700, 703
outstanding stock taken as company's investment.....	835-836
overhead charges:	
allowance for:	
company's estimate accepted.....	651-652
15% made	1536
15% or 12% held excessive.....	943, 948
14% made	490, 497
made	754
12% made	163-164, 168-170, 269-274, 372, 374, 1195, 1199
22.6% made	1688
engineering, company's allowance for, imaginary....	592-593
per station estimated.....	421, 436, 438, 486, 490, 498, 663, 668 828, 836, 847, 849, 853, 1000, 1003 1018, 1170, 1536, 1551, 1646
present value:	
considered	1, 3-5, 59, 112, 114, 372, 374, 574, 577, 894 896, 908, 910, 919-920, 927, 937, 1089-1090 1101, 1568, 1572, 1584, 1734
opinion of concurring Commission.....	17-18
fair value rather than how it was acquired the concern	
of Commission	1118, 1126
market value held practical basis for rate-making....	1126-1127
tentative, considered	946
property not used and useful:	
excluded from	668
minus salvage value, ordered amortized.....	533, 535-537
surplus or deficit account, ordered charged to.....	566, 568
purchase price:	
greater than value:	
approval of sale, denied.....	450
authorized	534-535
influence of unremunerative rates upon, considered ..	989-990, 995
not conclusive evidence of value:	
rate-making, for	989-990, 995-996, 1276-1277, 1279
security issue, for.....	1615, 1620
reproduction cost, new:	
abnormally large stock of equipment not included in	
estimating	319-320, 323-324
company's estimate used.....	1532, 1536

SUBJECT INDEX.

VALUATION OF PROPERTY — Continued:	PAGE
reproduction cost, new — continued:	
considered.....	59, 112, 114, 163, 167-168, 177, 184, 319-320 323, 327, 329, 372, 374, 490, 497, 574, 577, 820 893, 895, 907, 910, 919, 926, 937, 1099-1100
minus depreciation:	1195, 1199, 1568, 1571, 1583
based on war time costs not accepted.....	584
considered.....	163, 167-168, 320, 323, 327, 329, 389, 392 490, 497, 574, 577, 907, 910, 919, 926, 1099-1100 1195, 1199, 1568, 1571, 1583
tentative, considered	946
tentative valuation made..	647-648, 943-946, 948-949, 1011, 1018-1019
made final	758-759
toll plant excluded from valuation of exchange.....	919, 926
value defined	4-5
See also Capitalization; Consolidation; Depreciation; Franchises; Going Value; Rate of Return; Reserve for Depreciation; Rights-of-Way; Sale of Property; Securi- ties; Surplus; Taxes; Unit Costs; Working Capital.	
"VISITING":	
limitation of time on messages to prevent, suggested.....	1710, 1715
WAR CONDITIONS:	
burdens of, to be borne by subscriber and company.....	473-474 481, 779-780, 979, 982, 1090, 1308-1309
effect of war time and of reconstruction period con- sidered	1089-1090, 1098, 1102
increase in cost of labor and materials:	
allowance for further increase not made after cessa- tion of fighting.....	646
considered.....	129, 131, 177, 184, 194-195, 201-202, 211-212 215-216, 247-248, 251-252, 258, 260-261, 372 375, 412-414, 435-436, 438-439, 473-474, 481 490, 501, 583-585, 602, 613, 615, 675, 728, 732 777, 859, 863, 956, 1035-1036, 1090, 1177 1182, 1192, 1195, 1201-1202, 1204, 1214, 1282- 1283, 1285, 1299-1300, 1308-1309, 1364, 1366- 1367, 1489, 1496-1497, 1502, 1515, 1519, 1522 1532, 1537-1538, 1549, 1554, 1712-1713, 1724 1741, 1764, 1766-1769
installation of common battery system not ordered under.	195, 200-201
interference by Postmaster General in purely intrastate matters not necessary following cessation of hostili- ties	1406, 1408, 1455-1456
market value held practical basis for rate-making.....	1118, 1126
operation of telephone and telegraph lines by government under, discussed	1502

SUBJECT INDEX.

WAR CONDITIONS — Continued:

	PAGE
overloading of lines due to, to be remedied as soon as conditions are normal.....	1019
physical connection demanded by.....	381-382, 386-388
rate increase authorized for two-year period in view of...	119, 123
rate of return below normal standard held reasonable under, doctrine upheld.....	1502, 1524-1525
shortage and inexperience of help due to, held accountable for poor service.....	1078
toll rates fixed by Postmaster General, no evidence as to necessity as war measure.....	1173, 1175
unit costs based upon war prices unfair.....	1121
unquestioning cooperation of Commission with Federal Government under, not necessary after cessation of hostilities	1296
See also Federal Control; Operating Expenses: increase.	

WAR SAVINGS STAMPS. See Operating Expenses: war savings stamps.

WORDS AND PHRASES:

certain technical terms defined.....	24
circuit defined	24-25
currents defined	26
depreciation defined	3, 20
directory listing defined.....	249
emergency defined	1307, 1309
joint user defined.....	245, 249
lines defined	25
physical connection defined.....	386
public utilities defined.....	1054
rural lines defined.....	488, 1210
value defined	4-5
voltages defined	25

WORKING CAPITAL:

allowance for:	
company's estimate accepted.....	651-652
made.....	59, 63, 68, 74, 85, 91, 106-107, 110, 112, 114, 163, 168-169, 185, 254, 320, 324, 328, 330, 366, 369, 372, 375, 389, 392, 436, 438-439, 544, 552, 572, 574, 577, 608, 613, 754, 894, 896, 907, 910, 917, 919, 927, 932, 937, 943-944, 948-949, 1011, 1019, 1089, 1090, 1101, 1227, 1230, 1246, 1248, 1281, 1284, 1568, 1571, 1599, 1601, 1688, 1706
not made, opinion of dissenting Commissioner.....	2
1 12 of yearly expenses allowed for.....	641-642, 647
sale of stock to provide for, permitted.....	116

SUBJECT INDEX.

ZONES:

	PAGE
basis for rates, approved.....	211, 213, 225-226, 237
county boundaries held not proper for toll rates.....	630-633
farm line subscribers in adjacent territory served by different exchanges, zones to permit free intercom- munication suggested	1371
See also Service: radius.	

American Telephone and Telegraph Company
Legal Department
195 Broadway, New York, N. Y.

COMMISSION LEAFLET No. 89

Recent Commission Orders, Rulings and Decisions
from the following States:

Arizona	Nevada
Idaho	New Hampshire
Illinois	New York
Indiana	Ohio
Minnesota	Oklahoma
Missouri	South Dakota
Nebraska	Washington
Wisconsin	
and from	
Canada	
and	
Ontario	

MAY 1, 1919

Copyright, May, 1919
By AMERICAN TELEPHONE AND TELEGRAPH COMPANY

TABLE OF CONTENTS.

Arizona	Mountain States Telephone & Telegraph Co.: In re Establishment of Exchange, and Certificate of Exigency at Clarkdale. Docket Nos. 573 and 574. February 4, 1919.....	1559
	In re Rate Increase at Jerome. Docket No. 575. February 4, 1919.....	1561
Idaho	Elmore Copper Co. v. Mountain States Tel. & Tel. Co., U. S. Government and A. S. Burleson. In re Bridging in of Private Line on Toll Line. Order No. 557. February 28, 1919	1565
Illinois	Abingdon Home Telephone Co. In re Rate Increase. Case No. 8667. March 3, 1919....	1568
	Automatic Home Telephone Co. and Receivers, Central Union Tel. Co. In re Sale of Property, Issue of Bonds and Rate Increase. Case Nos. 8675, 8676 and 8677. March 3, 1919....	1576
	Southern Bell Telephone & Telegraph Co. and Cumberland Tel. & Tel. Co. In re Toll Rates. Case No. 8842. March 3, 1919.....	1592
	Altona Farmers Telephone Co. In re Rate Increase. Case No. 8699. March 5, 1919....	1593
	Illinois Independent Telephone Assoc. et al. In re Rate Increase. Case No. 8694. March 17, 1919	1597
	Galva Telephone Co. In re Rate Increase. Case No. 8633. March 18, 1919.....	1598
	Independent Telegraph & Telephone Co. In re Bond Issue. Case No. 8904. March 18, 1919..	1605
Indiana	Lafayette Telephone Co. and Receivers, Central Union Tel. Co. In re Sale and Purchase of Property. No. 3874. June 21, 1918.....	1608
	Home Telephone Co. of Wabash. In re Rate Increase. No. 3872. February 15, 1919....	1614
	Citizens Independent Telephone Co. of Terre Haute and Receivers, Central Union Tel. Co. In re Sale and Purchase of Property. No. 4334. February 24, 1919.....	1615

TABLE OF CONTENTS.

		PAGE
Indiana	Freelandville Cooperative Telephone Co. In re Rate Increase. No. 4333. March 5, 1919..	1621
(Continued)	Monticello Telephone Co. In re Discontinuance of Buffalo Exchange. No. 4375. March 5, 1919	1623
Minnesota	Frost, Village of. In re Indeterminate Permit for Operation of Exchange. March 11, 1919..	1625
Missouri	Kieninger v. Farmers Mutual Tel. Co. of Pochontas. Case No. 1897. March 20, 1919.....	1627
	Clover Leaf Telephone Co. In re Rate Increase. Case No. 1508. Supplemental Order No. 1. March 21, 1919.....	1629
	Golden City Telephone Co. In re Rate Increase. Case No. 1882. March 21, 1919.....	1631
	Bland Telephone Co. In re Installation of Telephone in Railway Station. Case No. 2011. April 16, 1919.....	1634
Nebraska	Kenesaw Telephone Co. In re Stock Issue. Appl. No. 3451. February 28, 1919.....	1636
	Bertrand Telephone Co. In re Rate Increase. Appl. No. 3706. February 28, 1919.....	1643
	Kenesaw Telephone Co. In re Rate Increase. Appl. No. 3715. March 1, 1919.....	1650
	Scotia Independent Telephone Co. In re Rate Increase. Appl. No. 3684. March 4, 1919....	1655
	Crete Telephone Co. In re Change in Rates. Appl. No. 3814. March 7, 1919.....	1664
	Curtis & Southwestern Telephone Co. In re Stock Issue. Appl. No. 3868. March 7, 1919.	1666
	Business Men's Assoc. of Pawnee City v. Pawnee Tel. Co. In re Improvement in Service. Inf. Comp. No. 5038. March 7, 1919.....	1667
	Kearney Telephone Co. In re Rate Increase. Appl. No. 3748. March 8, 1919.....	1669
Nevada	United Farmers' Telephone & Telegraph Co. In re Installation and Moving Charges Fixed by Postmaster General. Case No. 488. January 18, 1919.....	1671
New Hampshire	Newport and Sunapee, Citizens of, v. New England Tel. & Tel. Co. In re Interchange Service Rates. D-505. March 13, 1919.....	1676
New York	Mediator Publishing Co. by Morse M. Frankel v. New York Tel. Co. In re Discontinuance of Service: Rehearing Denied. Case No. 5831. March 11, 1919.....	1678
Second District		

TABLE OF CONTENTS.

	PAGE
New York	
Second District	
Erie County Board of Supervisors v. A. S. Burlison and New York Tel. Co. In re Discrimination in Rates. Case No. 6703. March 11, 1919.....	1678
In re Reports of Installation and Moving Charges Made. Case No. 6798. March 20, 1919	1681
Ohio	
Elyria, City of, v. Elyria Tel. Co. In re Rate Increase. No. 722. February 28, 1919.....	1684
Cleveland Telephone Co. and Cuyahoga Tel. Co. In re Final Valuation. No. 194. March 4, 1919	1685
Damascus Telephone Co. In re Stock Issue. No. 1620. March 5, 1919.....	1689
Citizens Telephone Co. of Circleville and Receivers, Central Union Tel. Co. In re Sale and Purchase of Property. No. 1125. March 19, 1919	1691
Frazesburg Home Telephone Co.:	
In re Consolidation. No. 1524. March 31, 1919	1692
In re Stock Issue. No. 1621. March 31, 1919	1695
Newark Telephone Co. In re Stock Issue. No. 1641. March 31, 1919.....	1697
Oklahoma	
Gibbons, J. T., v. Southwestern Bell Tel. Co. In re Fine for Putting into Effect Rates Fixed by Postmaster General. Order No. 1550. March 27, 1919	1699
Henderson, T. B., v. Remus Tel. Co., Tecumseh Tel. Co. & Southwestern Bell Tel. Co. In re Reestablishment of Physical Connection. Order No. 1553. March 31, 1919.....	1702
South Dakota	
Houghton, P. B., et al. v. Dakota Central Tel. Co. In re Toll Service. No. 3369. March 10, 1919	1706
Moody County Telephone Co. In re Rate Increase. No. 3479. March 14, 1919.....	1709
Peoples Telephone & Telegraph Co. v. W. G. Flat Tel. Co. In re Routing of Messages and Switching Service. No. 3178. March 17, 1919	1717
Cavour Telephone Exchange Co. In re Rate Increase. No. 3446. March 26, 1919.....	1723

TABLE OF CONTENTS.

		PAGE
Washington	Public Service Commission et al. v. Pacific Tel. & Tel. Co. and A. S. Burleson. In re Rate Increase. No. 4747 Consolidated. March 20, 1919	1727
	Public Service Commission et al. v. Home Tel. & Tel. Co. of Spokane and A. S. Burleson. In re Rate Increase. No. 4747 Consolidated. March 20, 1919.....	1727
Wisconsin	Tenney Telephone Co v. Wisconsin-Minnesota Light & Power Co. In re Reconstruction of Line. U-1046. March 5, 1919.....	1747
	Basswood-Eagle Telephone Co. In re Rate Increase. U-1048. March 8, 1919.....	1750
	Minong Telephone Co. In re Rate Increase. U-1049. March 8, 1919.....	1752
	Shiloh Telephone Co. In re Rate Increase. U-1050. March 8, 1919.....	1761
	Iron River Water, Light & Telephone Co. In re Rate Increase. U-1052. March 24, 1919..	1763
	Hamburg Telephone Co. In re Rate Increase. U-1053. March 24, 1919.....	1769
	Three Lakes Telephone Exchange. In re Rate Increase. U-1054. March 31, 1919.....	1772
Canada	Bell Telephone Co. In re Dismissal from Service. File No. 29113. February 8, 1919..	1782
Ontario	St. Mary's, Medina and Kirkton Telephone Co., Ltd. In re Rate Increase. P. F.-5034. November 30, 1918.....	1784
	Nairn and Roy v. Sebringville Tel. Co. and St. Mary's, Medina & Kirkton Tel. Co., Ltd. In re Physical Connection. P.F.-5046. November 30, 1918.....	1786
	Commissioners of Kerns v. Armstrong Independent Tel. Co., Ltd. In re Physical Connection. P. F.-5047. December 31, 1918.....	1787
	Commissioners of Kerns v. Temiskaming Tel. Co., Ltd. In re Reduction in Toll Rates. P. F.-5089. December 31, 1918.....	1790

SUBJECT INDEX.

ACCOUNTS:	PAGE
system, uniform, ordered kept.....	1644, 1649
ADVANCE PAYMENT:	
requirement approved.....	1621-1622
annual, from service stations.....	1600, 1603
quarterly:	
farm line subscribers, from.....	1570, 1574-1575, 1600 1603, 1666, 1716, 1759-1760, 1763
switching subscribers, from.....	1758-1760
semi-annual from switching subscribers.....	1570, 1574-1575 1648-1649
short time service, prior to giving, approved.....	1777
See also Deposits, Prompt Payment.	
AMORTIZATION:	
discount on bonds, of, ordered.....	1577, 1587
BETTERMENTS: See Securities: issue: betterments.	
CAPITALIZATION:	
construction costs, of, plan outlined.....	1656, 1661-1662
increase in stock to equalize investment and, suggested..	1636-1637 1655-1657, 1662
COMMISSIONS:	
toll messages, on, fixed.....	1772-1774, 1778, 1781
COMPETITION:	
disadvantages of, eliminated by consolidation.....	1576, 1584, 1615 1619-1620
See also Consolidation.	
CONSOLIDATION:	
competing exchanges, of, authorized.....	1576-1591, 1608-1613 1615-1620, 1692-1695
CONSTRUCTION OF LINES:	
capitalization of cost, plan for, outlined.....	1656, 1661, 1662
policy of Commission as to, outlined.....	1747-1749
reconstruction to avoid interference with power lines:	
expense borne by telephone company.....	1747, 1749-1750
ordered	1747-1750

SUBJECT INDEX.

CONTRACTS:	PAGE
division of interline toll revenues, covering, ordered modified	1790-1792
Postmaster General and Bell System, between, con- sidered	1727, 1732-1733
rates fixed by, superseded by schedule rates.....	1746
switching service, for, ordered made.....	1717-1718, 1720-1722
See also $4\frac{1}{2}\%$ Payment; Rates.	
DEBTS:	
uncollectible, allowance made for.....	1712
2%	1655-1656
DEEDS OF TRUST:	
execution authorized.....	1605-1607
See also Mortgages.	
DEPOSITS:	
short term service, prior to giving, approved.....	1777
See also Advance Payment.	
DEPRECIATION:	
inspection method used in connection with life table method in determining.....	1599, 1601
See also Amortization; Reserve for Depreciation.	
DESK TELEPHONES. See Rates.	
DIRECTORIES:	
listings:	
rates for extra, approved.....	1600, 1603
subscribers of connecting companies, of, ordered.	1753, 1755, 1760
DISCOUNT:	
bonds, on, ordered amortized.....	1577, 1587
prompt payment, for, authorized...1569-1570, 1574-1575, 1597-1600	
1603, 1643-1644, 1649-1650, 1654-1655	
1663-1666, 1709-1711, 1716, 1752-1754	
1759, 1772, 1775, 1779-1789	
DISCRIMINATION:	
combination business and residence rate not approved..	1753, 1759
enforcement of rule prohibiting use of German language, in, ordered eliminated.....	1627-1629
free and reduced rate service:	
city, to, but not to county, held not to constitute....	1678-1681
employees, reduced rates to, approved.....	1590
switching rates same for one-exchange and two-exchange service held.....	1717-1718, 1720-1723
DIVIDENDS. See Rate of Return; Securities: stock: dividends.	
DUPLICATION. See Competition; Consolidation: com- peting.	

SUBJECT INDEX.

ELECTRIC LIGHT AND POWER COMPANIES:	PAGE
interference between telephone lines and lines of, reconstruction of telephone line to eliminate, ordered.....	1747-1750
ELECTRICAL INTERFERENCE:	
power lines and telephone lines, between, reconstruction of telephone line at telephone company's expense to avoid, ordered	1747-1750
EMPLOYEES:	
additional, employment ordered.....	1668
dismissal, ordering of, not within jurisdiction.....	1782-1783
operators:	
interference of public with, rearrangement of switch-board ordered to avoid.....	1709-1710, 1714-1716
quarters, suitable, ordered furnished.....	1710, 1714, 1716
training, proper, to be given.....	1710, 1715-1716
reduced rates to, approved.....	1590
See also Operating Expenses: salaries.	
EXCHANGES:	
discontinuance authorized	1623-1624
establishment authorized	1559-1561
See also Consolidation; Service: radius.	
EXTENSIONS. See Securities: issue: betterments; Securities: stock: sale.	
EXTENSION TELEPHONES. See Rates.	
FARM LINES. See Rates: farm line; Rates: switching.	
FEDERAL CONTROL:	
contract between Postmaster General and Bell System:	
considered	1727, 1732-1733
text of Sec. 7 of contract.....	1732-1733
4.41%, return of, received by company under contract with Government	1741
installation and moving charges fixed by Postmaster General held illegal.....	1671-1675
toll rates prescribed by Postmaster General:	
company fined for putting into effect.....	1699-1702
suspended	1592
FINES:	
assessment:	
failure to maintain physical connection, for, suspended pending re-establishment of connection....	1704-1705
putting into effect toll rates prescribed by Postmaster General, for	1699-1702
See also Penalties.	
FOREIGN ATTACHMENTS:	
bridging in of private line on toll line denied.....	1565-1567

SUBJECT INDEX.

FOREIGN CORPORATIONS:

PAGE

- acquisition of securities of, by domestic corporation,
authorized1577-1578, 1580-1581, 1585-1586
- issue of stock by, for retiring outstanding bonds, authorized 1697-1698
- purchase of property of domestic corporation by, author-
ized1576-1578, 1580-1581, 1586

FOREIGN LANGUAGES. See Rules and Regulations: use of
German.

4½% PAYMENT:

- considered 1727, 1733

FRANCHISES:

- not sold with property 1610-1611
- See also Indeterminate Permits.

GOING VALUE:

- allowance for business attached:
 - made1568, 1572, 1599, 1601
 - not made 1685-1687

INDETERMINATE PERMITS:

- operation of local exchange, by village, granted for..... 1625-1626
- See also Franchises.

INDUCTION. See Electrical Interference.

INSTALLATION CHARGE:

- Postmaster General, prescribed by, held to be illegal..... 1671-1675
- regular lists of subscribers entering agreements for service
assuming regular charge effective, ordered furnished... 1681-1683

JURISDICTION:

- dismissal of employees, ordering of, within jurisdiction... 1782-1783
- railway companies, over, wider than over telephone com-
panies 1783
- See also Regulation.

LINES:

- common battery system, rate increase following installa-
tion of, authorized..... 1561-1564
- metallic circuit system, installation ordered..... 1784-1785
- toll:
 - bridging in of private line on, denied..... 1565-1567
 - routing over rural line forbidden..... 1717-1723
- See also Construction of Lines; Electrical Interference;
Extensions.

MAINTENANCE:

- 10% allowance made for reserve for depreciation and.... 1643-1644
1646, 1649-1650, 1652-1653, 1655-1656, 1660-1661, 1663

MANAGEMENT:

- distinction between regulation and, made..... 1782-1783

SUBJECT INDEX.

MORTGAGES:

PAGE

execution authorized 1577, 1586
See also Deeds of Trust.

MUNICIPAL CORPORATIONS:

indeterminate permit for operation of exchange granted to
village 1625-1628
See also Discrimination: free and reduced rate service:
city; Franchises.

OPERATING EXPENSES:

apportionment made to switching service..... 1757-1758
automobiles, ownership and operation by company instead
of by private parties, recommended..... 1714
increase in cost of labor and materials considered..... 1712-1713
1724, 1741, 1764, 1766-1767
salaries, stock issue to officers in lieu of, authorized..... 1636-1642
See also Debts; Service: cost.

PAY STATIONS. See Rates.

PENALTIES. See Fines; Prompt Payment: penalties.

PHYSICAL CONNECTION:

companies about to be consolidated, between, ordered.... 1577, 1585
continuous line of communication to form, ordered..... 1786-1787
direct denied where indirect exists..... 1787-1789
local service, for, ordered..... 1786-1787
reestablishment ordered 1702-1705
toll service, for:
bridging in of private line on toll line denied..... 1565-1567
continuance ordered 1623-1624
ordered 1608-1613, 1702-1705

POLICING. See Service.

PROMPT PAYMENT:

discount for, authorized..... 1569-1570, 1574-1575
1597-1600, 1603, 1643-1644, 1649-1650
1654-1655, 1663-1666, 1709-1711, 1716
1752-1754, 1759, 1772, 1775, 1779-1780
penalties for failure to make, disapproved..... 1654
See also Advance Payment; Deposits.

PUBLIC CONVENIENCE AND NECESSITY:

certificates of:
exercise by town of rights to construct and operate
telephone system authorized..... 1559-1561
invasion of occupied territory, selling company must
procure certificate prior to..... 1609, 1612-1613

SUBJECT INDEX.

RAILWAY COMPANIES:

PAGE

stations, installation of telephones in, ordered..... 1634-1635

RATE OF RETURN:

allowance for:

8%:

made1643-1644, 1646, 1649-1650, 1652-1653, 1655
1658, 1661, 1752-1753, 1756, 1761-1762

rates yielding, not approved..... 1604

8.1%, rates yielding, not justified..... 1568, 1573

5.9% made 1604

4.41% received under contract with Government..... 1741

14% for reserve for depreciation and, made..... 1750-1751
1763-1764, 1768-1769, 1771

7%:

made1622, 1709-1711, 1713

reasonable, in most cases..... 1654

7.4%, rates yielding, not approved.....1598-1599, 1602

17.2%, rates yielding, not approved..... 1604

6.1% made 1604

6.3% approved 1604

6.4% fixed 1599, 1602

6.5% approved 1604

6.8% made 1569, 1573

10.2%, rates yielding, not approved..... 1604

dividends:

deferred:

capitalization when used for construction pur-
poses permissible 1656, 1662

plan for paying, discussed..... 1656, 1662

8%, limited to.....1636-1637, 1641, 1643, 1649
1655-1656, 1659-1660, 1663

net income from reasonable rates invested in plant instead

of taken as dividends, from, justifiable..... 1655, 1657

See also Securities: stock: dividends.

RATES:

automophones, for, approved..... 1600, 1603

business:

approved 1559-1561

increase authorized.....1561-1564, 1568-1570, 1574-1576, 1583
1588, 1593-1596, 1598-1600, 1603, 1621-1622
1631-1634, 1643-1644, 1648, 1650-1656, 1663
1709-1711, 1716, 1723-1728, 1731, 1744-1746
1752-1754, 1759, 1763-1764, 1769

SUBJECT INDEX.

RATES — Continued:

PAGE

classification:

elimination of limited service because of difficulty in
 policing calls, authorized..... 1664-1666
 individual line and party lines, between, reasonable.. 1713
 exchange and farm line, into, ordered..... 1779
 combination business and residence, disapproved..... 1753, 1759
 common battery system, increase following installation of,
 authorized 1561-1534
 comparison between localities made.....1727-1728, 1743-1744
 consolidation, to be charged following, fixed..... 1692-1694
 contracts fixing, superseded by schedule rates..... 1746
 desk telephones, additional charge for, approved....1647, 1649, 1727
 directory listings, for extra, approved.....1600, 1603, 1634
 extension telephones:

additional charge for, approved..... 1647, 1649
 business higher than residence, authorized..... 1694

farm line:

classification, differentiation between subscribers desir-
 ing four-exchange and five-exchange service elim-
 inated 1664-1666
 fixed 1780-1781

increase:

authorized1568-1570, 1574-1576, 1583
 1588, 1598-1600, 1603, 1643-1644, 1648
 1650-1654, 1709-1711, 1716, 1723-1728
 1759-1754, 1759, 1761-1764, 1769-1771

denied1655-1656, 1667, 1663

hotels, for private branch exchanges in, approved..... 1538

increase:

all classes of service, for, authorized.....1597-1598, 1684-1685
 business, authorized1561-1564, 1568-1570, 1574-1576
 1583, 1588, 1593-1596, 1598-1600, 1603, 1621-1622, 1651-1634
 1643-1644, 1648, 1650-1656, 1663, 1709-1711, 1716, 1723-1728
 1731, 1744-1746, 1752-1754, 1759, 1763-1764, 1769

equal to discount for prompt payment, approved.... 1597-1598
 1650-1654

farm line:

authorized1568-1570, 1574-1576, 1583, 1588
 1598-1600, 1603, 1643-1644, 1648, 1650-1654, 1709-1711
 1716, 1723-1726, 1750-1754, 1759, 1761-1764, 1771

denied1655-1656, 1661, 1633

metallie circuit system, following installation of,

authorized 1784-1785
 net rates, in, denied..... 1650-1654

SUBJECT INDEX.

RATES — Continued:

PAGE

increase — Continued:

one year, for, authorized.....	1631-1634
extension of time granted.....	1629-1631
order modified	1614
order modified to exclude one exchange from effect of increase	1669-1670
residence, authorized	1561-1566, 1568-1570
1574-1576, 1583, 1588, 1593-1596, 1598-1600, 1603	
1621-1622, 1631-1634, 1643-1644, 1648, 1650-1656	
1663, 1709-1711, 1716, 1723-1728, 1731, 1744-1746	
1752-1754, 1759, 1763-1764, 1769	
switching, authorized	1568-1570, 1574-1575, 1593-1596
1598-1600, 1603, 1631-1634, 1643-1644	
1648, 1723-1726, 1752-1754, 1756, 1759	
interchange of service, for, toll rates for, fixed.....	1786
interexchange service, toll rates for:	
fixed	1561, 1564
in lieu of free, authorized.....	1577, 1584, 1591, 1676-1677
metallic circuit system, for:	
higher than for grounded circuit service.....	1284
increase authorized following installation.....	1784-1785
mileage, excess:	
approved	1589, 1600, 1603, 1694
fixed	1569-1570, 1574-1575, 1772-1773, 1781
non-subscribers, for, approved.....	1752-1753, 1755, 1760
pay stations, for, approved.....	1589
private branch exchange, for, approved.....	1588
reduction, toll, ordered.....	1790-1792
residence:	
approved	1559-1561
fixed	1772, 1775, 1779
increase:	
authorized	1561-1564, 1568-1570, 1574-1576, 1583
1588, 1593-1596, 1598-1600, 1603, 1621-1622	
1631-1634, 1643-1644, 1648, 1650-1656, 1663	
1709-1711, 1716, 1723-1728, 1731, 1744-1746	
1752-1754, 1759, 1763-1764, 1769	
schedules:	
modification authorized	1772-1781
toll rates, of, superseded.....	1592
standardization, advisable where possible.....	1772, 1775
suspension of service during vacation, rates fixed....	1752-1754, 1760

SUBJECT INDEX.

RATES — Continued:

PAGE

switching:

approved	1590
connecting companies, for, rule governing collection, prescribed	1753, 1755, 1760
farm switch, for service through, fixed.....	1720-1723, 1725
increase, authorized	1568-1570
1574-1575, 1593-1596, 1598-1600, 1603, 1631-1634	
1643-1644, 1648, 1723-1726, 1752-1754, 1756, 1759	
one-exchange connection, for, fixed.....	1720-1723, 1725
two-exchange service, for:	
fixed	1720-1723, 1725
same for one-exchange service and, held dis-	
crimination	1717-1718, 1720-1723

toll:

commissions on, fixed.....	1772-1774, 1778, 1781
division of interline:	
contract covering, ordered modified.....	1790-1792
fixed	1772-1774, 1778, 1781
interchange of service, for, fixed.....	1786
interexchange service, for:	
fixed	1561, 1564
in lieu of free service, approved..	1577, 1584, 1591, 1676-1677
messages between points not more than twelve miles apart, for, suspended.....	1592
Postmaster General, prescribed by:	
company fined for putting into effect.....	1699-1702
suspended	1592
reduction ordered	1790-1792
vacation, for periods of, fixed.....	1752-1754, 1760
See also Advance Payment; Commissions; Deposits; Dis-	
count; Discrimination; Installation Charge; Prompt	
Payment; Rate of Return; Refunds; Removal Charge;	
Rentals; Service; Short Term Service; Surplus; Termi-	
nal Charge.	

RECEIVERSHIP:

sale of property by Receivers approved by Commission following approval of court.....	1613
--	------

REFUNDS:

installation charges in excess of filed rate, reports of refunds ordered furnished.....	1681-1683
--	-----------

REGULATION:

distinction between management and, made.....	1782-1783
See also Jurisdiction.	

SUBJECT INDEX.

REHEARINGS:

- application for, denied..... 1678-1688
- rate increase granted upon..... 1643-1649

REMOVAL CHARGE:

- Postmaster General, prescribed by, held to be illegal.... 1671-1675
- See also Installation Charge.

RENTALS:

- equipment owned by subscribers, to be paid by company
for, fixed1773, 1776-1777, 1780-1781

REPORTS:

- installation and removal charges:
 - lists of subscribers entering agreements for service
assuming regular charge effective, of, ordered
furnished 1681-1685
 - remittance, of, ordered..... 1681-1682

RESERVE FOR DEPRECIATION:

- allowance for:
 - 5% made1622, 1784-1785
 - 14% for rate of return and, made.....1750-1757, 1763-1764
1768-1769, 1771
 - made1568-1569, 1572-1573
1575-1576, 1598-1599, 1602-1603
 - 7% made 1752, 1753
 - 6% made1709-1711, 1713, 1761-1762
 - 10% for maintenance and, made....1643-1644, 1646, 1649-1650
1652-1653, 1655-1656, 1660-1661, 1663
- fund for:
 - amount to be put in, fixed.....:..... 1644, 1649
 - use of, outlined..... 1784-1785
- See also Amortization; Depreciation.

REVENUES. See Rates: toll: division.

ROUTING:

- designation of route optional with subscriber..1608, 1610, 1612-1613
- toll messages, of, over rural line forbidden..... 1717-1723

RULES AND REGULATIONS:

- connecting companies, governing collection of rates of,
prescribed1753, 1755, 1760
- use of German language, prohibiting use of, discrimination
ordered eliminated 1627-1629
- See also Advance Payment; Deposits; Discount; Foreign
Attachments; Penalties; Prompt Payment.

SUBJECT INDEX.

SALE OF PROPERTY:

	PAGE
purchase price not basis for rate-making or security issue	1615, 1620
Receivers, by, approved where authorized by court.....	1613
See also Consolidation; Deeds of Trust; Mortgages.	

SECURITIES:

bonds:

issue:

authority necessary for.....	1617-1618
authorized	1576-1578, 1580-1581, 1586, 1605-1607
purchase by company selling property approved....	1577-1578
	1581, 1585-1586

holding for distribution among stockholders by selling

company, authorized	1689-1691
---------------------------	-----------

issue:

acquisition of property, for, authorized.....	1576-1578
	1580-1581, 1586, 1605-1607, 1689-1691, 1695-1697
betterments and additions, for, authorized.....	1581, 1586
	1666-1667, 1689-1691
consolidation of property, for, authorized.....	1695-1697
construction purposes, for, suggested.....	1656, 1662
distribution among stockholders, for, authorized....	1636-1642
equalization of investment and capitalization, for,	
suggested	1636-1637, 1655-1657, 1662
payment of indebtedness, for, approved.....	1581, 1587
refunding or retirement of outstanding bonds, for,	
authorized	1605-1607, 1697-1698

stock:

dividends:

authorized to equalize difference between out-	
standing stock and stockholders' investment...	1636-1642
	1656-1657, 1662

issue authorized....	1636-1642, 1666-1667, 1689-1691, 1695-1698
----------------------	--

purchase by company selling property approved....	1577-1578
	1581, 1585-1586

sale above par but at price not greater than actual

cost of making extensions to purchaser authorized..	1666
---	------

See also Capitalization; Rate of Return; Stockholders.

SERVICE:

continuous, ordered furnished.....	1643-1644, 1649
------------------------------------	-----------------

cost per telephone estimated.....	1585, 1763, 1767
-----------------------------------	------------------

discontinuance:

exchanges, of, authorized.....	1623-1624
--------------------------------	-----------

non-payment, for, authorized.....	1622
-----------------------------------	------

toll service, of, forbidden.....	1608-1609, 1613
----------------------------------	-----------------

SUBJECT INDEX.

SERVICE — Continued:	PAGE
German language, discrimination in prohibiting use of,	
ordered eliminated	1627-1629
improvement ordered	1667-1669
installation in railway stations, ordered.....	1634-1635
limitation of time on messages, suggested.....	1709-1710, 1715
local, physical connection for, ordered.....	1786-1787
metallic circuit system, installation ordered.....	1784-1785
policing of lines, elimination of limited service because of	
difficulty in, approved.....	1664-1666
radius for:	
fixed	1775
modification of boundaries, made.....	1691
restoration of toll service, ordered if proper agent obtain-	
able	1706-1709
switching contracts ordered made.....	1717-1718, 1720-1722
tests made	1742-1743
toll:	
bridging in of private line on toll line, denied.....	1565-1567
discontinuance or impairing, forbidden.....	1608-1609, 1613
furnishing of, contingent upon finding an agent....	1706-1709
physical connection for:	
continuance ordered	1623-1624
ordered	1608-1613, 1702-1705
routing over rural line, forbidden.....	1717-1723
See also Contracts; Deposits; Discrimination; Foreign	
Attachments; Lines; Physical Connection; Rates; Rout-	
ing; Short Term Service; Traffic; "Visiting."	
 SHORT TERM SERVICE:	
advance payment required prior to giving, approved....	1777
rates for, fixed.....	1772-1773, 1775-1780
 STOCK. See Securities.	
 STOCKHOLDERS:	
distribution of stock among, authorized.....	1636-1642
 SUBSCRIBERS:	
equipment, owning, rental to be paid to, fixed.....	1773, 1776-1777
	1780-1781
number per line, reduction recommended.....	1771
 SURPLUS:	
fund for:	
creation of limited fund, authorized.....	1643-1644, 1648
rate reduction ordered when excess of certain amount	
in	1643-1644, 1648-1649
unforeseen emergencies, to be held for.....	1656, 1663

SUBJECT INDEX.

SWITCHBOARDS:

PAGE

rearrangement, to avoid interference of public with
operators, ordered1709-1710, 1714-1716

TERMINAL CHARGE:

increase denied 1723-1724

TRAFFIC:

study made 1757

UNIT COSTS:

five-year average used.....1568, 1571, 1593-1594, 1601

VALUATION OF PROPERTY:

book value considered..... 1734

final, made 1685-1689

overhead charges, 22.6% allowance made for..... 1688

per station, estimated..... 1646

present value, considered.....1568, 1572, 1584, 1734

purchase price not basis for rate-making or security
issue 1615, 1620

reproduction cost, new:

considered1568, 1571, 1583

minus depreciation, considered.....1568, 1571, 1583

See also Capitalization; Consolidation; Depreciation;

Going Value; Rate of Return; Reserve for Deprecia-
tion; Sale of Property; Securities; Surplus; Unit
Costs; Working Capital.

“ VISITING ”:

limitation of time on messages to prevent, suggested.... 1710, 1715

WORKING CAPITAL:

allowance made for.....1568, 1571, 1599, 1601, 1688, 1709, 1712

BOUND

207 5 111

UNIV. OF MICH.
LIBRARY

UNIVERSITY OF MICHIGAN



3 9015 06992 5168

